



House of Commons
Welsh Affairs Committee

City Deals and Growth Deals in Wales

Second Report of Session 2019

*Report, together with formal minutes
relating to the report*

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Welsh Affairs Committee

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Summary

City and Growth Deals present Wales with an opportunity to draw investment into its regions and promote economic growth across the country. Throughout our inquiry we have had the importance of these deals impressed upon us. We have also recognised the need for them to have clear accountability and to provide strong value for taxpayers' money.

This report focuses on each deal in turn, beginning with the Cardiff Capital Region City Deal followed by the Swansea Bay City Deal, North Wales Growth Deal and the Mid Wales Growth Deal.

Cardiff Capital Region City Deal

In our assessment of the Cardiff Capital Region City Deal we conclude that we are content with the way that the Deal is being managed and are optimistic about the positive effect it should have on the area. We make several recommendations to help the deal progress:

- The UK Government should proactively support the deal by participating in co-investment propositions of shared interest;
- The Cardiff Deal's gateway review, should be changed to better review the performance of the deal as a whole; and
- The UK Government should devolve Air Passenger Duty to the National Assembly for Wales.

Swansea Bay City Deal

Our assessment of the Swansea Bay City Deal notes the difficulties it has faced but acknowledges that the UK Government, Welsh Government and representatives of the City Deal itself have acted appropriately following the Independent Review. We emphasise the importance of the portfolio approach recommended by the Independent Review and suggest that this approach should be followed by all the City and Growth Deals across Wales. We then recommend that the UK and Welsh Governments should accelerate the release of funds for certain projects in order to minimise the risk to council finances. We conclude this section by recommending that, in the future, additional projects to be added to the Deal should be considered, including those for a Swansea Bay Tidal Lagoon or Swansea Bay Metro.

North Wales Growth Deal

During our inquiry into the proposed North Wales Growth Deal we were pleased that £240 million in funding from the UK and Welsh Government had been pledged. We were, however, concerned at the manner in which the UK Government announced that less funding than was anticipated was to be provided and recommend that, in future, the UK Government should communicate more clearly with Growth Deal bodies. We recommend that all partners should continue working toward a Heads of Terms

agreement by March 2020. Given North Wales' extensive border with other Welsh regions and areas in England we recommend that there should be close working with partners across Wales and in England through, for example, cross-border infrastructure or skills development projects. In this section we also reassert the recommendations of our report into the suspension of work at Wylfa Newydd Nuclear Power station and discuss the potential impact of the North Wales Growth Deal in this sector.

Mid Wales Growth Deal

In the chapter discussing the Mid Wales Growth Deal we urge progress towards the signing of a Heads of Terms agreement. We were pleased with the announcement of an initial £55 million for the Deal from the UK Government and urge the Growing Mid Wales Partnership to continue working toward submitting detailed proposals by March 2020. We also conclude that areas outside of Powys and Ceredigion, but with strong local connections, should be permitted to feature in Growth Deal projects, where appropriate.

UK Government support

Our final chapter looks at the role of the UK Government, recommending that they co-ordinate closely with the Welsh Government and appoint a senior civil servant to oversee this relationship and to coordinate with the City and Growth Deal teams. We then discuss criticisms surrounding a lack of guidance to the deal teams from the UK Government, issues surrounding the frequent ministerial change and helping deal teams bid for additional funds from other departments or research bodies. We conclude by recommending that the UK Government provide some initial "seed funding" for councils that have been invited to bid for a deal.

Introduction

Background to Deals across the UK

1. Over the last few years, the UK Government, sometimes alongside devolved Governments, has signed a number of City and Growth deals to promote decentralisation across the United Kingdom and stimulate local economic growth. These deals are designed to give more power and flexibility to cities, or to specific regions, in terms of employment and skills, business support, housing, transport and investments.¹ The Centre for Urban and Regional Development Studies suggested that City Deals were introduced to rebalance the UK economy sectorally and spatially following the global financial crisis and economic downturn of 2008.² A report from the National Assembly for Wales's Economy, Infrastructure and Skills Committee states that:

City and Growth Deals have become one of the main tools for driving economic activity in the UK in recent years. A process that started with the major urban centres of England (outside London) has grown to include most of the large population centres across the UK.³

2. The process began under the 2010 to 2015 Conservative and Liberal Democrat Coalition Government. The 2011 Localism Act included the Core Cities Amendment, which offered local councils, through local enterprise partnerships, the opportunity to submit plans on how they planned to promote local economic growth.⁴ If successful, they would then be invited to negotiate deals with central government for greater local autonomy over financial and planning matters. The then Deputy Prime Minister, Nick Clegg, expanded on this strategy in the consultation document *Unlocking Growth in Cities* in which he spoke of a shift in powers available to cities and the need to move “away from a one-size-fits-all models towards individual city deals”.⁵

3. The first wave (“Wave One”) of city deals was agreed in July 2012 and included areas such as Greater Manchester, Bristol and Sheffield, amongst others and covered the eight largest English cities outside London.⁶ The UK Government, at the time, stated that:

The deals present an impressive picture of devolved powers and new and innovative ways of doing things that will unlock growth and deliver jobs.⁷

Andrew Carter, Chief Executive of the Centre for Cities explained that these “Wave One” projects focused on the city region scale - the travel-to-work area.⁸

1 Centre for Cities, [City Deals and Growth Deals – Case Studies](#)

2 Written evidence from the Centre for Urban and Regional Development Studies at Newcastle University ([GDW0002](#))

3 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), p.8

4 [Legislation, Localism Act 2011](#)

5 House of Commons Library, [City Deals - Briefing Paper](#), Number 7158, 31 October 2018, p5; UK Government, 8 December 2011, [Unlocking growth in Cities](#)

6 UK Government, 5 July 2013, [City Deals](#); House of Commons Library, [City Deals - Briefing Paper](#), Number 7158, 31 October 2018, p4

7 UK Government, 5 July 2013, [City Deals](#); House of Commons Library, [City Deals - Briefing Paper](#), Number 7158, 31 October 2018, p4

8 Andrew Carter, Chief Executive, Centre for Cities ([Q66](#))

4. In July 2015, the National Audit Office published a report into the Wave One City Deals which analysed the negotiations, costs and potential benefits of the first wave of city deals.⁹ They concluded that, while there have been early impacts of individual programmes agreed in the deals, it is “too early to tell whether the deals will have any overall impact on growth”.¹⁰

5. The second wave of the city deals (“Wave Two”) were announced between 2013 and 2014 and included areas such as the Black Country, Southampton and Portsmouth, and Plymouth and the South West Peninsula, covering the next 14 largest English cities and their wider areas.¹¹ Andrew Carter described the “Wave Two” deals as “very diverse” because they are “essentially doing quite different things and they are quite small”.¹² There were, therefore, no City Deals covering areas in Wales signed under the coalition Government.

6. Since Waves One and Two there have been a number of one-off deals signed representing areas in Scotland, Wales and Northern Ireland. In August 2014, Glasgow and the Clyde Valley became the first area outside England to agree a deal. Deals for Aberdeen, Inverness, and Wales’ first deal with the Cardiff Capital Region followed in 2016 with deals agreed for Swansea Bay and Edinburgh and South East Scotland in 2017. In 2018, deals for Stirling and Clackmannanshire and Tayside were finalised. Most recently, in 2019, two deals have been agreed in Northern Ireland for Belfast City and the Derry City and Strabane District Council area.¹³

Deals in Wales

7. The arrangements for City or Growth Deals in Wales differ to those arranged in England. There was no transfer of powers to allow greater local autonomy over financial and planning matters. The National Assembly for Wales already held powers over local authority powers and funding.¹⁴ There was therefore no devolution of financial levers and the deals so far agreed have been purely economic stimulus packages for the areas involved. Andrew Carter noted that the devolution of powers was less of a factor for city deals in Wales and Scotland than it was for deals in England.¹⁵ Another difference is that City Deals in England are agreed between the UK Government and Local Enterprise Partnerships (LEPs). LEPs are voluntary partnerships between local authorities and businesses set up in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.¹⁶ The structure of the deals in Wales is different as no such LEPs exist and responsibility for economic development is devolved to the National Assembly for Wales.¹⁷ The public sector partners involved in the formulation of city and growth deals in Wales have therefore been the UK Government, Welsh Government and local authorities. The

9 National Audit Office, [Devolving responsibilities to cities in England: Wave 1 City Deals](#), Report by the Comptroller and Auditor General, HC 266, 9 July 2015

10 National Audit Office, [Devolving responsibilities to cities in England: Wave 1 City Deals](#), Report by the Comptroller and Auditor General, HC 266, 9 July 2015; House of Commons Library, [City Deals - Briefing Paper](#), Number 7158, 31 October 2018, p8

11 UK Government, 5 July 2013, [City Deals](#)

12 Andrew Carter, Chief Executive, Centre for Cities ([Q66](#))

13 House of Commons Library, [City Deals - Briefing Paper](#), Number 7158, 31 October 2018, p4

14 National Assembly for Wales, [Powers](#)

15 Andrew Carter, Chief Executive, Centre for Cities ([Q64](#))

16 UK Government, [Local Enterprise Partnerships \(LEPs\) and Enterprise Zones](#)

17 National Assembly for Wales, [Powers](#)

Assembly's Economy, Infrastructure and Skills Committee recommended that the Welsh Government give the regional bodies discretion to spend a substantial amount of funding whether from Welsh Government or raised within the region.¹⁸ Therefore suggesting some, limited, financial devolution. This recommendation was, however, rejected by the Welsh Government.¹⁹

8. As they stand, the Welsh Deals are therefore a way of getting additional UK Government and Welsh Government investment into a specific geographical area.²⁰ The Welsh Government consider that City and Growth Deals offer Wales and its regions an opportunity to unlock additional funding to support interventions that can deliver economic growth.²¹ The Secretary of State for Wales, the Rt Hon Alun Cairns MP, explained that funding for economic development purposes was normally 'Barnettised' and therefore exclusively the remit of the Welsh Government. He told us that city and growth deal funding is "effectively additional money over and above the Barnett block grant."²² The map overleaf illustrates the current regions and local authorities involved in each deal.

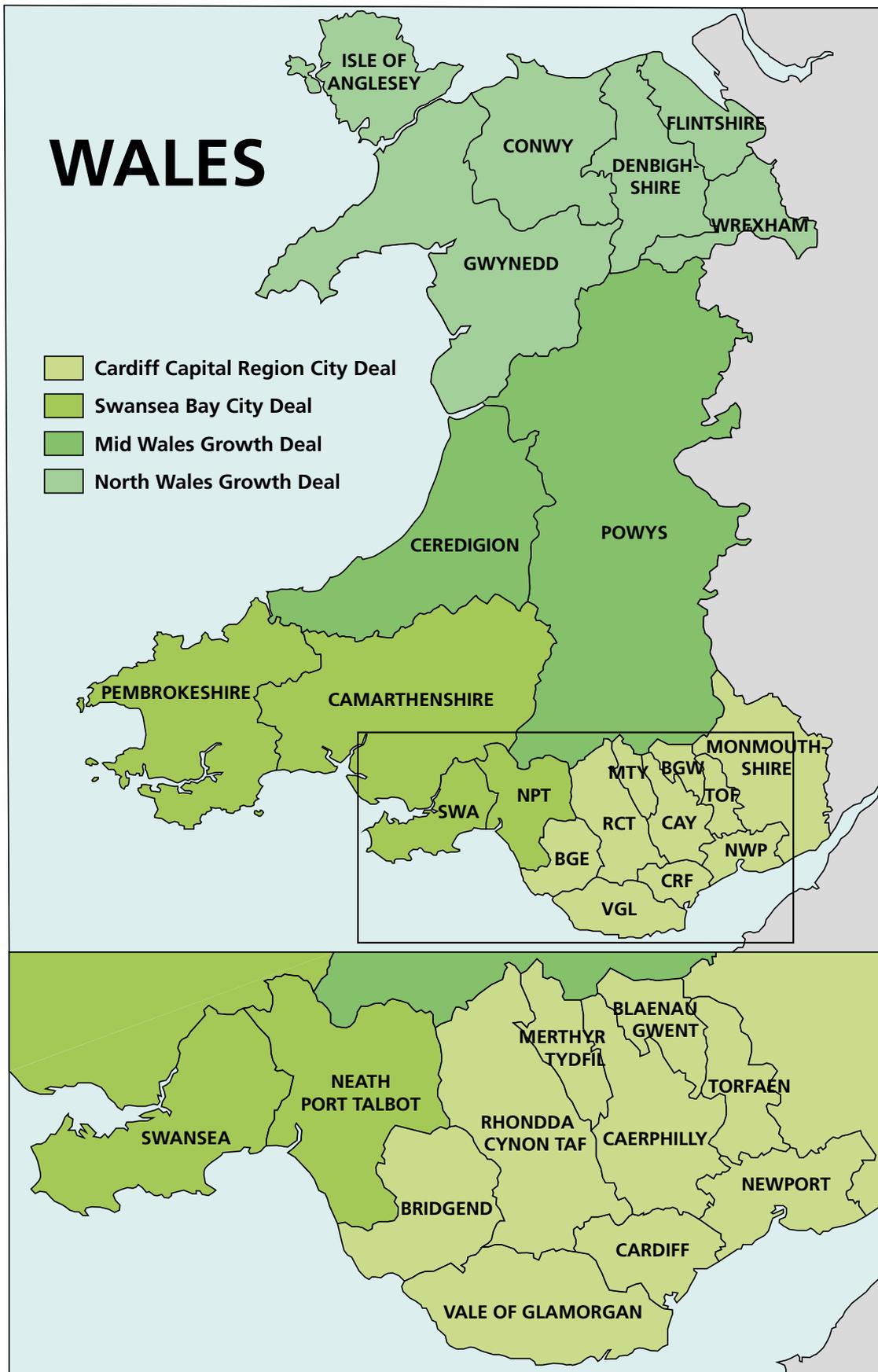
18 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), Recommendation 7

19 Welsh Government, December 2017, [Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales](#), p.5

20 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 24

21 Welsh Government, December 2017, [Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales](#), p.1

22 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q155](#))



Our Inquiry

9. We launched our inquiry into City Deals and Growth Deals in Wales on 2 April 2019. The inquiry invited written evidence on the effects and value of funding provided to Wales from the UK and Welsh Governments through Growth and City Deals, and how lessons learnt can be built into proposals for similar deals to boost economic growth throughout Wales.²³

10. We held oral evidence sessions from June until October 2019 hearing, in turn, from the bodies responsible for City and Growth Deals in each of Wales' four regions. We also heard from experts in this field with the inquiry culminating with evidence from Ministers in the Office of the Secretary of State for Wales - the Rt Hon Alun Cairns MP and Kevin Foster MP. We also received written evidence from Ken Skates AM, the Welsh Government's Minister for Economy and Transport, along with a range of other individuals and organisations.²⁴ We are grateful to all those who have contributed their thoughts to this inquiry and extend our thanks to them.

This Report

11. This report examines each City or Growth Deal in Wales in turn, beginning with the Cardiff Capital Region City Deal, followed by the Swansea Bay City Deal, the North Wales Growth Deal and the Mid Wales Growth Deal. Each of these chapters provides a background to the deal or progress towards a deal, followed by a summary of the evidence taken with conclusions and recommendations focusing on improving the performance and impact of each. The final chapter discusses areas of improvement for the UK and Welsh Governments, focusing on issues that cut across all four of the City or Growth Deals in Wales.

23 Welsh Affairs Committee, 2 April 2019, [Committee launches inquiry into effectiveness of Growth and City Deals](#)

24 Written evidence from Ken Skates AM ([GDW0012](#))

1 The Cardiff Capital Region Deal

Background

12. The Cardiff Capital Region (CCR) was the first to apply for and secure a City Deal that covered an area in Wales. The 2015 Spring Budget began the process and included an announcement that the UK Government would open negotiations with the Welsh Government over a deal for the Cardiff Capital Region.²⁵ The 2015 Autumn Statement and Spending Review reaffirmed this commitment by announcing that the UK Government would make a “principle commitment to contribute to an infrastructure fund” for the Cardiff deal.²⁶

13. These discussions were concluded on 15 March 2016 when the CCR City Deal was agreed between the UK and Welsh Governments and the 10 local authorities in the region. Central to the Deal was the creation of a £1.22 billion fund, funded by contributions of £500 million each from the UK and Welsh Governments, £120 million from the 10 local authorities in the Cardiff Capital Region and over £100 million from the European Regional Development Fund, committed over a twenty-year period.²⁷

14. The ten local authorities involved in the deal are Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda Cynon Taff; Torfaen; and Vale of Glamorgan.²⁸ The City Deal was formally ratified by the leaders of these 10 councils on 1 March 2017.²⁹ The region covered by these authorities accounts for approximately 50% of the total economic output of the Welsh economy and 49% of employment, and has over 38,000 active businesses.³⁰

15. £734 million of the £1.22 billion fund was subsequently ring-fenced to fund the proposed Metro network for South East Wales.³¹ Of this £734 million, over £500 million is provided by the Welsh Government.³² The South Wales Metro is a planned integration of heavy rail, light rail and bus-based public transport services and systems in South East Wales, covering the 10 local authorities involved in the deal, centred around the hub of Cardiff Central station.³³ The former First Minister, Rt Hon Carwyn Jones AM, officially launched the South Wales Metro in November 2015, sometime before funding through the City Deal was agreed.³⁴ The Metro is managed by Transport for Wales, rather than the CCR City Deal team themselves, although it is monitored by a non-statutory transport authority made up of 10 cabinet members from the councils.³⁵

25 HM Treasury, [Spring Budget 2015](#) p 42–43

26 HM Treasury, [Spending Review and Autumn Statement 2015](#), Cm 9162 November 2015, pg. 57

27 HM Treasury, Wales Office, [City Deal: Cardiff Capital Region](#); National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 65

28 Cardiff Capital Region, [About](#)

29 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), p.22

30 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), p.21

31 Cardiff Capital Region, [About](#)

32 Written evidence from Ken Skates AM ([GDW0012](#)), para 11

33 ITV News, 9 October 2013, [Welsh Govt spending plans](#)

34 Welsh Government, November 2016, [Rolling Out Our Metro](#)

35 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q32](#))

16. The other £495 million is to be utilised as an investment fund for investing in individual projects (equating to approximately £24.75 million per year).³⁶ This fund is intended to be invested in projects which support economic growth potentially including further transport schemes, investment to unlock housing and employment sites, and development of research and innovation facilities.³⁷ CCR have established an investment framework to guide their use of the investment fund.³⁸ The investment framework is divided into three funds: an innovation investment fund, an infrastructure fund and a challenge fund.³⁹ To date, the CCR Cabinet has agreed to use this pot to invest in two significant projects:

- a) IQE: In May 2017, the Cabinet agreed to invest £38.5 million to support the development of a compound semiconductor industry cluster in the region; this is expected to leverage up to £375 million of private sector investment over the next five to ten years, and create up to 2,000 high-value and high-tech jobs; and
- b) Metro Central: In January 2018, the Cabinet agreed in principle to commit £40million to support the proposed £180million Metro Central Development, a project that will deliver a new Central Transport Interchange in Cardiff's city centre Core Employment Zone.⁴⁰ The UK Government confirmed in July 2019 that it would provide funding to revamp Cardiff Central station.⁴¹

It had been reported that the CCR were considering investing in the regeneration of Caldicot town centre, as part of their wider regeneration plans.⁴² Most recently, CCR City Deal, in collaboration with the Welsh Government and Transport for Wales have identified a proposed £50 million programme of local transport schemes to support the implementation of the South Wales Metro.⁴³

17. In terms of impact, the deal aimed to bring about significant economic growth in the region through investment, upskilling, and improved physical and digital connectivity. The signatory partners have projected that the deal will help create 25,000 new jobs and generate £4 billion of private sector investment across the region by 2036.⁴⁴ It aims to increase the Gross Value Added (GVA) of the Cardiff Capital Region by at least 5%.⁴⁵

Progress and performance

18. In evidence to the Committee Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board, and Kellie Beirne, Chief Executive of the Cardiff Capital Region, provided an update on the City Deal which is now in its implementation stage. Commenting on the South Wales Metro, Councillor Fox advised that new trains would be in place by 2022

36 Cardiff Capital Region, [About](#)

37 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 8

38 Cardiff Capital Region, June 2019, [The Cardiff Capital Region Investment Framework](#)

39 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q46](#))

40 Cardiff Capital Region, [Investment](#)

41 BBC News, 22 July 2019, [Cardiff Central railway station to get £58m upgrade](#)

42 BBC News, 26 November 2018, [Severn toll scrapping drives £10m boost for Caldicot](#)

43 Cardiff Capital Region, 5 March 2019, [£50m Metro Plus Plans Revealed](#)

44 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), p.21

45 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 73

with the announcement of £100 million for a Metro command centre in Taff's Well.⁴⁶ Kellie Beirne described this funding as “significant” as “it has the potential to drive wider economic impact”.⁴⁷ She explained that:

The Welsh Government are leading some really good work at the moment on strategic hubs, so using metro stations to drive different kinds of regeneration, opening up areas that perhaps need a bit of love, care and attention, and thinking about the kind of investment that we can bring in. We are aligning different sources of investment. We are not just relying on a single source.⁴⁸

19. We were keen to know whether the Metro would bring benefits to the wider region, including areas further away from the Cardiff hub. Councillor Fox, also leader of Monmouthshire Council, explained:

It is very difficult to say at this time because my mindset right from the beginning has been that the 10 constituent councils have to start thinking of themselves as one - one with 10 constituent parts [...]

If we can benefit any part of that region, the whole region benefits. If we are focused only on our own patch, we may as well have stayed at home and not got involved in the regional picture if we really want to create change.⁴⁹

Kellie Beirne added that, through the Metro Plus scheme, the Cabinet sought to:

Ensure that every single place in the Cardiff capital region—those 10 local authority areas—has a modal shift transport scheme, whether it is park and ride or a new bus depot, to drive different kinds of behaviour and to think about electric vehicle charging infrastructure, on-site renewables, digital connectivity, car sharing, taxi sharing and home-to-school transport.⁵⁰

20. Relating to the £495 million Investment Fund, Councillor Fox and Kellie Beirne spoke about the IQE advanced compound semiconductor cluster.⁵¹ Kellie Beirne explained that the skills and educational developments have linked in to the compound semiconductor pathways with the universities developing a master's degree in compound semiconductors and some talk about PhDs.⁵²

21. On whether the City Deal will achieve its targets of a 5% gross value added uplift with 25,000 new jobs and £4 billion of additional investments by 2036, Councillor Fox explained that it is too soon to tell.⁵³ He did, however add that they were confident and that “all of the ingredients that we were looking to pull together are coming together”.⁵⁴ Kellie Beirne stated that she hopes that the City Deal exceed these targets.⁵⁵

46 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q32](#))

47 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q32](#))

48 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q35](#))

49 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q35](#))

50 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q35](#))

51 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q42](#))

52 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q43](#))

53 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q49](#))

54 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q49](#))

55 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q51](#))

22. We are content with the way that the Cardiff Capital Region City Deal is being managed and optimistic about the positive effect it should have on the area. We were particularly impressed by the unity of purpose and the commitment to work together for the benefit of the city region as a whole. Although it is too early to tell whether the City Deal will deliver the economic uplift the Regional Cabinet is seeking, the early signs are encouraging.

Co-investment

23. When asked what more the UK Government could do to support the City Deal, Kellie Beirne called for the establishment of a co-investment mechanism that brings together investment from City Deal, UK and Welsh Governments and industry and Higher Education/Further Education:

A co-investment proposition on areas of shared interest would be very interesting. It is something we have been talking to Innovate UK and others about. If we have a sector of strength that aligns with one of the four grand challenges⁵⁶ and there is an investment call, can we co-invest? Can we put our money together to have a much bigger impact in solving some of the problems that are of shared interest? This whole proposition around co-investment, being partners to the pot or enabling other means of deliver, is the key.⁵⁷

24. The Secretary of State for Wales, Rt Hon Alun Cairns MP, advised that the UK Government already co-invests with the Cardiff Capital Region, citing the example of the semiconductor Catapult Centre which received UK Government funding.⁵⁸ He advised “that is something we are already doing, and I am keen to leverage more support”.⁵⁹

25. **The Cardiff Capital Region City Deal offers the opportunity for economic growth which will benefit the Cardiff City Region, Wales and the United Kingdom. To help maximise this growth the UK Government should proactively support the Cardiff Capital Region through investing in co-investment propositions in areas of shared interest.**

Gateway review

26. The CCR team recognised the need to ensure that the investment fund remains ‘evergreen’ and can live off its interest and not its capital.⁶⁰ The ambition is therefore to ‘recycle’ as much of the funding as possible by ensuring investments return the money that it is put in. The submission stated that “£1.3 billion is not a great deal of investment and we need to stop badging our City Deal as just a £1.3 billion investment programme. Our leverage target is £4 billion and so our City Deal is a £5.3 billion investment opportunity.”⁶¹

56 Outlined in the UK Government’s [Industrial Strategy](#) - The four grand challenges are artificial intelligence and data; ageing society; clean growth and future of mobility

57 Kellie Beirne, Chief Executive of the Cardiff Capital Region (Q59)

58 The Secretary of State for Wales, Rt Hon Alun Cairns MP (Q157); BBC News, 10 August 2018, [Semiconductor catapult gets £51m funding share](#)

59 The Secretary of State for Wales, Rt Hon Alun Cairns MP (Q157)

60 Cardiff Capital Region, February 2019, [Evidence submission to the City Deals and the Regional Economies of Wales inquiry](#), p.1

61 Cardiff Capital Region, February 2019, [Evidence submission to the City Deals and the Regional Economies of Wales inquiry](#), p.2

27. The Cardiff Capital City Region was originally told that it would be subject to satisfactorily passing ‘Gateway Reviews’ at 5 yearly intervals.⁶² The Welsh Government initially explained that:

As part of this gateway assessment, an independent review will evaluate the economic benefits and economic impact of the investments made under the scheme, including whether the projects have been delivered on time and to budget.⁶³

These assessment mechanisms will only apply to spending from the £495 million Investment Fund.

28. The Committee, however, heard that the Gateway Review process had changed. Kellie Beirne explained that, rather than having “one watershed moment” of review, there is now a “continuous process”.⁶⁴ She added that:

Between now and March 2021, three reports will be produced by SQW, the national consortium lead, which will inform the gateway review.⁶⁵

Kellie Beirne explained that the first report had been received and that it was positive.⁶⁶

29. On this process, Kellie Beirne expressed concern that the gateway review process only assesses how money is spent not how funds are generated - the “money back in”.⁶⁷ Kellie Beirne explained that funds are invested with:

An expectation that there will be returns on investment and that we will co-invest, leverage maximum investment and, where possible, create an evergreen environment, where we don’t give grants but always look for returns that we can keep reinvesting, because this isn’t just delivering a city deal. It is delivering sustainability and resilience for our economy.⁶⁸

30. Kellie Beirne spoke about the uncertainty around whether the gateway review process includes the South Wales Metro aspect of the project, arguing that:

It is important that the whole of the package is considered as one and that evaluation is right across the piece. I think that will start to give confidence that things are running to time.⁶⁹

31. The Secretary of State explained the process for the review:

The process is that the consultants will come up and highlight what they believe to be the issues that should be looked at and measured. That is

62 Welsh Government, December 2017, [Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales](#), p.2

63 Welsh Government, December 2017, [Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales](#), p.2–3

64 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q48](#))

65 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q48](#))

66 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q48](#))

67 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q48](#))

68 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q46](#))

69 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q39](#))

then drafted in consultation with the city region and with both the Welsh Government and the UK Government. It will then be taken forward, having got to an agreement with all the stakeholders.⁷⁰

In contrast to Kellie Beirne's comments, the Secretary of State explained that he was not sure whether "it is right for the review to look at the metro element, because that is a Welsh Government-led project."⁷¹

32. *When reviewing the effectiveness of the Cardiff Capital Region's investment fund, reviewers should consider not only how it is spent but the return on investment that funds generate. In order to get a full picture of the deal's performance, the review should consider the City Deal package as a whole, including the Welsh Government led South Wales Metro. Given that the South Wales Metro is such a large part of the City Deal it would be odd and unsatisfactory if it were not to form part of the assessment.*

Devolution of Air Passenger Duty

33. Cardiff Airport is the only commercial airport within the area covered by the CCR City Deal. It is by far the busiest airport in Wales with passenger numbers of over 1.5 million in 2018. This figure represented 0.5% of passengers at all airports in the UK and a growth of 49.4% since 2013.⁷² It is located near the village of Rhoose in the Vale of Glamorgan. It has been under the ownership of the Welsh Government since March 2013, operating at an arm's length as a commercial business.⁷³ Councillor Fox considered having an international airport within the region to be a "massive selling point".⁷⁴

34. We recently published a report on the Devolution of Air Passenger Duty to Wales. Air Passenger Duty (APD) is a tax levied by the UK Government on passenger flights from UK airports.⁷⁵ We concluded in favour of devolution of the tax, stating that:

We recommend that the UK Government set out proposals to devolve APD to the Welsh Assembly, with APD being fully devolved by 2021.⁷⁶

35. Cardiff Airport and the Welsh Government have publicly stated their support for the devolution of APD to Wales.⁷⁷ Councillor Fox agreed, stating that:

Anything that can create more use of that airport and use it as a key selling point to Wales and the region, because if it benefits the region it will benefit all of Wales, I absolutely go with it.⁷⁸

36. Simon Clarke MP, Exchequer Secretary to the Treasury, dismissed our recommendation to devolve APD to the Wales claiming that "the UK government remains concerned about the competitive impact of introducing tax competition within a single

70 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q162](#))

71 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q162](#))

72 Civil Aviation Authority, 2018, [Size of Reporting Airports 2018](#)

73 BBC News, 27 March 2013, [Cardiff Airport is sold to the Welsh Government for £52m](#)

74 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q56](#))

75 Air Passenger Duty: introduction, [Number 413](#), House of Commons Library, February 2019.

76 Welsh Affairs Committee, 11 June 2019, [5th Report – Devolution of Air Passenger Duty to Wales](#), HC 1575, para 51

77 Cardiff Airport, 11 June 2019, [Unanimous agreement of Welsh Affairs Committee: Devolve Air Passenger Duty to Wales by 2021](#); BBC News, 6 September 2019, [Flight taxes will not be devolved to Wales, say UK ministers](#)

78 Councillor Peter Fox, Vice Chair of the Cardiff Capital Region Board ([Q58](#))

aviation market.”⁷⁹The Parliamentary Under Secretary of State, Kevin Foster MP, argued against the devolution of APD in evidence to the Committee for this inquiry.⁸⁰ Kevin Foster’s argument centred on the impact that the devolution and subsequent removal of APD would have on the wider market, in particular Bristol Airport.⁸¹

37. We do not agree with the UK Government’s arguments against the devolution of Air Passenger Duty and believe that our report outlined compelling arguments for devolution of APD to Wales including that it could unlock the potential of Cardiff airport, boost the Welsh brand and promote economic growth.

38. *We recommend that the UK Government reconsider its decision not to devolve Air Passenger Duty to Wales.* The evidence we have received suggests that its devolution would give the Welsh Government a lever that could have a positive impact on the Cardiff Capital Region and the wider Welsh economy. In our view, the Welsh Government is best placed to determine how to use the tax for the benefit of Wales.

79 Welsh Affairs Committee, 3 September 2019, Fourth Special Report of Session 2017–19, [Devolution of Air Passenger Duty to Wales: Government Response to the Committee’s Fifth Report](#), HC 2634

80 Parliamentary Under Secretary of State for Wales, Kevin Foster MP ([Q169–179](#))

81 Parliamentary Under Secretary of State for Wales, Kevin Foster MP ([Q169](#))

2 The Swansea Bay City Deal

Background

39. The Swansea Bay City Deal was agreed by representatives of the UK Government, Welsh Government and the four councils of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea in March 2017. An official ceremony involving the former Prime Minister, Rt Hon Theresa May MP, the former First Minister, Rt Hon Carwyn Jones AM, and the four council leaders took place at the Liberty Stadium in Swansea.⁸² This agreement followed the Swansea Bay City Region Board putting forward a deal proposal in February 2016, with the then Chancellor of the Exchequer, Rt Hon George Osborne, announcing in his March 2016 budget that he was opening discussions with the region.⁸³

40. The agreement document provides further information on rationale for the deal, the funding arrangements, its projected impact and investment themes. Its executive summary states that:

This City Deal will provide the region and its partners with the new ways of working and resources to unlock significant economic growth across the Swansea Bay City Region. It is a Deal where both Welsh and UK Governments have committed to jointly invest, subject to the submission and approval of full business cases in relation to the eleven identified projects and the agreement of governance arrangements for the deal, up to £241 million on specific interventions which seek to support and further build on the region's strengths which include health, energy and manufacturing sectors and are underpinned by a world-class digital infrastructure, successful universities and innovative health boards.⁸⁴

41. The funding arrangements for the deal agreed at the time are that:

- The UK Government and Welsh Government will contribute up to £241 million (£125.4 million from the Welsh Government and £115.6 million from UK Government);
- The four local authorities and other public sector bodies in the region will contribute £396 million over the period of this Deal; and
- An anticipated £637 million of direct private sector investment.

The total value of the City Deal was therefore £1.3 billion over a 15-year period.⁸⁵

42. The overall theme of the deal is “Internet Coast”. The Deal focuses on the benefits of digital infrastructure, the energy sector, smart manufacturing and innovation in life

82 BBC News, 20 March 2017, [Theresa May signs £1.3bn Swansea Bay City Deal](#)

83 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 77

84 UK Government and Welsh Government, March 2017, [Swansea Bay City Region City Deal](#), p3

85 UK Government and Welsh Government, March 2017, [Swansea Bay City Region City Deal](#), p7

science for both urban and rural areas across the region.⁸⁶ The agreement document details the four investment themes for the City Deal, each with several interventions identified within them.

Box 1: Projects of the Swansea Bay City Deal

- a) The Internet of Economic Acceleration
 - i) Digital Infrastructure
 - ii) Swansea City & Waterfront Digital District
 - iii) Centre for Excellence in Next Generation Digital Services
 - iv) Yr Egin–Creative Digital Cluster
- b) Skills and Talent Initiative
 - i) The Internet of Life Science & Well-Being
 - ii) Life Science & Well-being Campuses
 - iii) Life Science & Well-being Village
- c) The Internet of Energy
 - i) Homes as Power Stations
 - ii) Pembroke Dock Marine
- d) Smart Manufacturing
 - i) Factory of the Future
 - ii) Steel Science Centre⁸⁷

43. The investment within the City Deal is intended to deliver up to 9,465 new jobs for the region, contributing to an uplift in the Gross Value Added (GVA) of £1.8 billion.⁸⁸ This ambition was argued to be all the more important due to the GVA per head of the region having fallen from 90% to 77% of the UK average over the past 30 years.⁸⁹

Progress and Performance

44. The Swansea Bay City Deal had been criticised for moving too far away from the original proposition document produced in February 2016 with the input of Sir Terry Matthews, a businessman who became Wales' first billionaire.⁹⁰ Subsequently, there has been criticism in the media of what is seen as a move away from the original aims. Professor

86 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 78

87 UK Government and Welsh Government, March 2017, [Swansea Bay City Region City Deal](#), p10–14

88 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 79

89 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 80

90 Swansea Bay City Deal, 23 February 2016, [Swansea Bay City Region: A City Deal 2016–2035](#)

Dylan Jones-Evans, then of Bristol Business School, reportedly said that the deal had gone away from “investing in infrastructure and people” towards “building more buildings”. He argued that the strategy taken had “been discredited by economic development organisations around the world”.⁹¹ Professor Jones-Evans criticised the deal for moving away from funding and skills for business by no longer having an infrastructure or investment fund and claiming that less than 1% of the budget specifically earmarked for skills.⁹² In addition, he argued that the emphasis on new digital technologies, which was at the heart of the proposition document, had been cut back to a single funded project. Most worrying, he argued, was the absence of any funding to support the proposed installation of a new transatlantic cable from North America into Oxwich Bay. This project, Professor Jones-Evans argued “has the potential to totally transform the economic fortunes of the whole of South Wales.”⁹³

45. Councillor Rob Stewart, the Leader of the City and County of Swansea Council, responded to the accusation that it had moved too far away from the original deal by suggesting that the core of the City Deal remains exactly the same as the original ‘Internet Coast’ vision.⁹⁴ Councillor Stewart explained that because the process presented to them by the UK Government changed, away from the investment model seen in the Cardiff Capital Region City Deal and towards project based deals, some changes had to be made. He explained that:

We were marshalled into making sure that we fully defined the 11 constituent projects of the deal upfront.⁹⁵

The Secretary of State concurred with Councillor Stewart’s assessment highlighting that the structure of deals across the UK has “moved away from the funding-type scheme to the project-led scheme”.⁹⁶ On the transatlantic cable, Councillor Stewart explained that they designed the proposals to ensure that the 5G digital project or the digital project within the City Deal was not entirely reliant on the transatlantic cable.⁹⁷ He denied that the City Deal had moved away from “investing in infrastructure and people” and towards just “building more buildings”, explaining that there was a need to create a “modern city centre [in Swansea] that will attract visitors to it”.⁹⁸

46. In January 2019, Actica Consulting Ltd was commissioned jointly by the Welsh and UK Governments to undertake a rapid, independently led review of the arrangements for the delivery of the Swansea Bay City Deal. The Review was to provide both the Welsh and UK Government Ministers with an assessment of the deliverability of the Deal. It followed reports of difficulties with a number of projects within the deal, notably Yr Egin and the

91 BBC News, 20 March 2017, [Theresa May signs £1.3bn Swansea Bay City Deal](#)

92 Wales Online, 14 March 2017, [A senior academic has called for a major rethink of the £1.3bn Swansea Bay City Deal](#)

93 Wales Online, 14 March 2017, [A senior academic has called for a major rethink of the £1.3bn Swansea Bay City Deal](#)

94 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q117](#))

95 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q117](#))

96 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q156](#))

97 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q119](#))

98 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q128](#))

Llanelli Wellness Village.⁹⁹ Yr Egin, S4C's new headquarters and a creative and digital hub, was reported in December 2017 to only be projected to be 60% occupied when it due to open, with co-tenants alongside S4C difficult to attract.¹⁰⁰ There were also staffing issues, with a report in June 2018 suggesting that more S4C staff have left rather than fully commit to the new headquarters in Carmarthen.¹⁰¹ The building, built by the University of Wales Trinity St David's, has also faced financial uncertainties.¹⁰² The proposed Llanelli Wellness Village has been the subject of critical media coverage. Reports have focused, in particular, on the suspensions of staff at Swansea University which have been linked to plans for the £200 million project.¹⁰³

47. Actica Consulting completed the review in February 2019. Much of the report focused on the governance arrangements for the deal.¹⁰⁴ The report made seven recommendations to improve the deliverability of the Deal's outcomes.

Box 2: Recommendations of the Swansea Bay City Deal Independent Review

- a) Pre-scrutiny should be encouraged but direct and regular face-to-face contact between those writing the Business Cases and those providing comment upon them and advising those who will grant approval is essential.
- b) The Regional Office should be designated as a Portfolio Management Office, leavening their skills with experienced Portfolio/Programme/Project Management (P3M) specialists.
- c) The City Team should (with the support of the Welsh Government Assurance Hub and IPA as necessary) put in place a best practice Integrated Assurance and Approval Plan (IAAP) for the Portfolio. All parties should specifically consider the OGC Gateway Review process as a key part of that plan.
- d) Under the chair of the JSC each Swansea Bay City Deal board should consider the Terms of Reference and ways of working of each to ensure that they work as intended. In doing so they should take account of this review and of the outcome of the audits currently being undertaken.
- e) A Portfolio Director should be appointed before May 2019 to ensure continuity of Swansea Bay City Deal leadership and independent authoritative advice to the Boards.
- f) The Swansea Bay City Deal should be managed as a Portfolio not as a set of predetermined and immutable projects.

99 [BBC News, 11 May 2019, Swansea Bay City Deal partners in row over £1.3bn deal](#); [BBC News, 14 May 2019, Swansea Bay City Deal facing 'selfish, petty' opposition](#); [BBC News, 15 March 2019, Swansea Bay City Deal: Wellness village 'confidence' warning](#); [BBC News, 14 December 2017, Yr Egin S4C base set to be 60% occupied when it opens](#); [BBC News, 6 June 2018, More S4C staff leave than fully commit to move to new HQ](#); [BBC News, 8 February 2017, Yr Egin: 'Fog' around S4C-university relationship](#)

100 [BBC News, 14 December 2017, Yr Egin S4C base set to be 60% occupied when it opens](#)

101 [BBC News, 6 June 2018, More S4C staff leave than fully commit to move to new HQ](#)

102 [BBC News, 20 June 2019, University blames Welsh Government delays for financial pressure](#)

103 [BBC News, 25 February 2019, Fifth suspension in Swansea University inquiry](#)

104 [Actica Consulting, 26 February 2019, Swansea Bay City Deal Independent Review](#)

- g) For Yr Egin and Swansea Waterfront, the two business cases which we consider are close to final approval, senior UK Government and Welsh Government and Local Authority officials should aim to reach a swift conclusion to ensure that funding can flow as needed.¹⁰⁵

The UK Government's written evidence to the Committee discussed the impact of the review arguing that the recommendations provided "a strong foundation" to move forward with the delivery of the City Deal.¹⁰⁶ Ken Skates AM also welcomed the findings of the review on behalf of the Welsh Government.¹⁰⁷ The Swansea Bay City Deal Joint Committee also carried out its own internal review into the City Deal to "provide reassurance that procedures and governance are robust".¹⁰⁸

48. The projects within the Deal itself are at different stages of planning with the Independent Review stating that none had then been submitted formally.¹⁰⁹ Funding for Yr Egin and the Swansea City and Waterfront Digital District was, however, announced recently.¹¹⁰ Swansea Bay City Deal announced that the UK Government and Welsh Government had agreed to release initial funding for the overall programme. They stated that the funding was based on the approval of business cases for the Yr Egin and Swansea City and Waterfront Digital District projects. They argued that:

The £18 million funding provides an opportunity to deliver against the whole of the City Deal programme.

A further £18 million may also potentially be available this year for other projects within the deal, subject to the region meeting clear terms and conditions.¹¹¹

Councillor Stewart confirmed that total amount of funding so far provided by the UK and Welsh Government was £36 million for the two above projects.¹¹² He explained that these two projects were largely public sector funded and didn't require much private sector investment. He added that "it is the other nine where the majority of the private sector money comes in, so of course that money will not be drawn down until those projects are signed off."¹¹³

49. Councillor Stewart and Phil Roberts, the Chief Executive of the City and County of Swansea Council, explained the processes in place for the rest of the projects and said that they were confident that they would be delivered.¹¹⁴ Despite the warnings of the independent review that controversy over the Llanelli wellness village could "cause a loss of confidence", Councillor Stewart reiterated his confidence that the £637 million target for private sector investment would be met.¹¹⁵ In the press, the Councillor claimed that

¹⁰⁵ Actica Consulting, 26 February 2019, [Swansea Bay City Deal Independent Review](#), p.ii

¹⁰⁶ Written evidence from the UK Government ([GDW0006](#))

¹⁰⁷ Written evidence from Ken Skates AM ([GDW0012](#)), para 18

¹⁰⁸ Swansea Bay City Deal, February 2019, [Swansea Bay City Deal - Update on the current position](#), p.1

¹⁰⁹ Actica Consulting, 26 February 2019, [Swansea Bay City Deal Independent Review](#), p.5

¹¹⁰ Swansea Bay City Deal, 15 July 2019, [Multi-million pound Swansea Bay City Deal funding boost](#)

¹¹¹ Swansea Bay City Deal, 15 July 2019, [Multi-million pound Swansea Bay City Deal funding boost](#)

¹¹² Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q127](#))

¹¹³ Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q134](#))

¹¹⁴ Councillor Rob Stewart, Leader of the City and County of Swansea Council; Phil Robert, Chief Executive, City and County of Swansea Council ([Q148](#))

¹¹⁵ BBC News, 15 July 2019, [Swansea Bay City Deal: Investors not walking away says council leader](#); Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q135](#))

the deal has “as strong a commitment” as possible from the private sector.¹¹⁶ Councillor Stewart did concede, however, that the Llanelli Wellness project might require significant amendment from the original bid proposals, following the controversies.¹¹⁷

50. We were concerned at the reports surrounding difficulties faced by the Swansea Bay City Deal. Following the Independent Review and reassurances from representatives of the City Deal, alongside those from the UK Government, we note that the recommendations have now been implemented and hope that the review represents a turning point for the Deal. We look forward to further updates on the Deal going forward.

Portfolio approach

51. The Swansea Bay Independent Review conducted by Actica consulting recommends that “The Swansea Bay City Deal should be managed as a Portfolio not as a set of predetermined and immutable projects.”¹¹⁸ In evidence, Robin Davis, the author of the review suggested that this recommendation was to ensure that spending and projects were most relevant and effective:

The idea of a portfolio is to in effect have an investment fund and let the joint or local committee decide if it needs to move projects in or take projects out if, for instance, they have been overtaken by events.¹¹⁹

52. Councillor Stewart explained that before this Independent Review and the internal review conducted by the City Deal there was “very little room for changing projects and that was one of the real issues”.¹²⁰ However, since the reviews, they are moving to adopt this portfolio approach allowing greater flexibility.¹²¹

53. In order to ensure value for money, Councillor Stewart explained that there is a “huge amount of due diligence and governance that you need to go through”.¹²² He explained that they employ a five-case business model, the approach for developing business cases recommended by HM Treasury and the Welsh Government.¹²³ Councillor Stewart outlined that the portfolio approach now allows the opportunity to amend a project or substitute it, if it is not meeting the original expectations.¹²⁴

54. We were concerned that project-based deals did not allow for funds to be redistributed if a project was failing. The recommendation of the Independent Review, that the City Deal should be managed as a portfolio rather than a set of individual projects, is an important one. We are pleased to hear from the Swansea Bay City Deal that they are now implementing this recommendation and adopting a more flexible approach. *The UK Government, Welsh Government and City Deal partners should continuously review projects to ensure that they provide value for money. If they do not,*

116 BBC News, 15 July 2019, [Swansea Bay City Deal: Investors not walking away says council leader](#)

117 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q148](#)); BBC News, 1 August 2019, [Llanelli Wellness Village at centre of uni bribery probe](#)

118 Actica Consulting, 26 February 2019, [Swansea Bay City Deal Independent Review](#), p.ii

119 Robin Davis, Director, Actica Consulting ([Q88](#))

120 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q131](#))

121 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q131](#))

122 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q150](#))

123 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q150](#))

124 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q150](#))

projects should be adjusted accordingly, and funds should be redistributed in order to provide the maximum positive impact. Those leading on the Swansea Bay City Deal should consider how public and private funding for the Tidal Lagoon can be incorporated within the portfolio work and how funding can be leveraged to deliver the project.

55. *More widely the UK Government should allow all the City or Growth Deals to change over time in line with economic trends. If a project is no longer providing value for money, they should be prepared to reduce its funding and, similarly, if projects are doing well and further investment is required, the UK Government should be proactive in supporting them.*

Release of funds

56. In evidence to the Committee, Councillor Rob Stewart suggested that the Swansea City Deal could benefit from an accelerated release of funds from the UK and Welsh Governments for certain projects. This, he said, would reduce the risk to the finances of the local councils who are intended to put forward much of the initial funding under the original bid in order to encourage private sector investment. He stated that this has been raised with the Ministers of both Governments.¹²⁵ Explaining the benefit to the Councils, Councillor Stewart stated that:

If the money comes out of Government over a shorter period of time that reduces the amount of money that councils will have to borrow or provide from elsewhere in order to deliver its contribution to the City Deal.¹²⁶

He explained that there were positive movements around the Pembroke Dock Marina on an accelerated release of funds but that he thought it was something that needed to be applied across the whole deal.¹²⁷

57. It was suggested to Councillor Stewart that, with the councils having to put up much of the initial funding to city deal projects, there was a risk to frontline services should projects fail and have an impact on future council budgets.¹²⁸ Swansea Council, for instance, are predicting a large deficit partly as a result of having to bear the costs of infrastructure projects upfront. The budget proposals for 2019/20 submitted for consultation on 14 December 2018 resulted in a projected funding deficit of £24.401 million.¹²⁹ Councillor Stewart, however, asserted that council funding for the City Deal would not impact on services but that an accelerated release of Government funding could help mitigate the risk.¹³⁰

58. The Secretary of State was reluctant to pledge to provide an accelerated release of funds for projects within the Swansea Bay City Deal, instead suggesting the Councils should honour the original agreement.¹³¹

125 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q122](#))

126 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q122](#))

127 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q122](#))

128 Geraint Davies MP ([Q122](#))

129 Swansea Council, [City and County of Swansea Revenue Budget 2019–20](#)

130 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q124](#))

131 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q194](#))

59. *The UK and Welsh Governments should accelerate the release of funds for certain projects, subject to due diligence, in order to minimise the risk to council finances and therefore council services.*

Investment fund

60. The possibility of adding an investment fund similar to that of Cardiff Capital Region City Deal was raised with representatives of Swansea Bay City Deal. Councillor Stewart stated that he would welcome the opportunity to add extra projects and an investment fund. He explained that a change in Government policy away from fund-based deals and towards project-based deals was the reason that an Investment Fund wasn't included in the initial proposals, as in the Cardiff Capital Region City Deal but that he would be willing to explore the possibility of setting one up. Additionally, a revised plan for the Swansea Bay Tidal Lagoon was suggested as a potential project to add to the City Deal at a later date. On the prospect of an investment fund, Councillor Stewart stated that they were "in principle, very interested" in setting up an investment fund and that he sought support from the Welsh Government.¹³² He argued that "we should certainly be looking to add to the City Deal and continue to use that as an ongoing way of delivering economic benefit to the region".¹³³

61. *Once the entirety of the original City Deal bid is in place and operational, additional projects to be added to the Deal should be explored.*

62. *A tidal lagoon in Swansea could bring much needed economic regeneration to South Wales and could be a cost-effective source of renewable energy which would facilitate the transition to net-zero emissions by 2050. All parties to the Deal should continue to explore different funding models, which should demonstrate financial viability.*

Transport

63. The Swansea Bay City Deal has also been criticised for not including proposals for a Swansea Bay Metro or improvements to railways or transport systems in the area.¹³⁴ Professor Mark Barry, Professor of Practice in Connectivity at Cardiff University, has worked on proposals for the Swansea Bay Metro and has called for greater connectivity in the Swansea area.¹³⁵ In particular he called for a £1 billion investment in rail links to and within Swansea Bay to deliver a major boost to the regional economy, focusing on:

- 30-minute journeys to Cardiff and 2 hour 15 minutes to London & Heathrow;
- The foundation of a rail-based Swansea Bay Metro; and
- New development and regeneration opportunities across the region.¹³⁶

132 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q132](#))

133 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q131](#))

134 Swansea Bay City Deal, [Projects](#)

135 Professor Mark Barry, 2018, [Swansea Bay Metro](#)

136 Professor Mark Barry, 2017, [Swansea to Cardiff in 30 minutes and a Swansea Bay Metro](#)

64. In evidence to the Committee, Professor Barry suggested that there was an opportunity for Swansea Bay to look at transport as something that could underpin the city deal.¹³⁷ He described the public transport network in the area as “very poor” and said that the main developments in the past 30 years had been for car-based transport.¹³⁸

65. We discussed the Swansea Bay Metro in our report on the cancellation of rail electrification in South Wales.¹³⁹ The report concluded:

We were interested in the proposal by Professor Mark Barry for a Swansea Bay Metro, particularly in light of the increased demand that may result from the Swansea Bay City Deal. This idea is still at an early stage, but merits further exploration. We recommend that the Department for Transport and Network Rail engage with the Welsh Government and establish a working group to explore the options in more detail. This group should report back by the end of 2018. If the group considers the proposal viable, it should then seek to develop a business case for taking the work forward.¹⁴⁰

66. Councillor Stewart advised that the Council has continued to work with Transport for Wales for a proposal for the south-west Wales metro. He explained that they are intending to go back to Welsh Government shortly to discuss this.¹⁴¹ Councillor Stewart stated that he would be willing to add the Metro proposals to the City Deal if such a development were possible.¹⁴²

67. The Secretary of State argued that the UK Government had been proactive in supporting the railway infrastructure in the Swansea area, with the £20 million West Wales Parkway station.¹⁴³ On the Swansea Bay Metro he said that was happy to look at proposals that come forward.¹⁴⁴

68. The ultimate aim of the City Deal should be to create the conditions that attract businesses and stimulate economic growth. Given that poor transport infrastructure is a major issue in the Swansea Bay area, we are disappointed that it did not feature in the agreed City Deal. We received evidence that a Swansea Bay Metro could increase regional connectivity and diminish the need for cars in the area. We urge the UK Government, Welsh Government and partners to consider adding proposals for a Swansea Bay Metro to the Deal once detailed proposals for a Metro have been developed. We encourage the UK Government to reconsider proposals to electrify rail in Wales.

137 Professor Mark Barry, Professor of Practice in Connectivity, Cardiff University ([Q66](#))

138 Professor Mark Barry, Professor of Practice in Connectivity, Cardiff University ([Q66](#))

139 Welsh Affairs Committee, [The cancellation of rail electrification in South Wales](#), First Report of Session 2017–19, HC 403, p.17

140 Welsh Affairs Committee, [The cancellation of rail electrification in South Wales](#), First Report of Session 2017–19, HC 403, para 56

141 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q125](#))

142 Councillor Rob Stewart, Leader of the City and County of Swansea Council ([Q131](#))

143 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q183](#))

144 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q187](#))

3 The North Wales Growth Deal

Background

69. In late 2017, a partnership that includes six North Wales councils, business partners, colleges and universities, came together to form the North Wales Economic Ambition Board (NWEAB), a body which would prepare the North Wales Growth Deal.¹⁴⁵ This initiative followed the Chancellor of the Exchequer stating that the UK Government looked forward to receiving the proposals for the North Wales Growth Deal in the 2017 Spring Budget.¹⁴⁶

70. The formal launch of the North Wales Growth Deal bid took place in February 2018 and detailed the proposed economic impact of the Deal. It stated that, with the stimulus of a Growth Deal:

North Wales will become a low carbon, high-tech economy with a high-quality infrastructure, a sustainable skills-base and responsive business support to host and grow businesses in globally competitive sectors.¹⁴⁷

The document claimed that the proposals in the submission would enable investment of:

£1.3 billion in the North Wales economy from growth deal monies of £328 million capital and £55.4 million revenue, totalling £383.4 million, a return of £3.40 for every pound spent.¹⁴⁸

The proposal suggested that over 5,000 new jobs could be created alongside other benefits.¹⁴⁹

71. In the Autumn Budget, on 29 October 2018, the then Chancellor of the Exchequer, Rt Hon Phillip Hammond MP, announced £120 million in funding for the North Wales Growth Deal.¹⁵⁰ In December 2018, the Welsh Government confirmed that it would match the UK Government's financial contribution to the North Wales Growth Deal with £120 million of its own investment (bringing the total Government investment to £240 million).¹⁵¹ This £240 million investment was around £100 million less than what was expected.

72. The NWEAB has advised that it was still in discussions with both governments for a larger matching capital sum to support an “even bolder and more impactful Growth Deal.”¹⁵² The Board expected the final Growth Deal to be in place later in 2019 and for work to begin on priority projects from 2020 onwards.¹⁵³ The funding for the Growth Deal by both Governments will be provided on a flat funding profile over a 15-year period.¹⁵⁴

145 North Wales Economic Ambition Board, [North Wales Growth Deal](#)

146 UK Government, 8 March 2017, [Spring Budget 2017](#), section 5.6

147 North Wales Economic Ambition Board, February 2018, [A Growth Deal for North Wales](#), p.8

148 North Wales Economic Ambition Board, February 2018, [A Growth Deal for North Wales](#), p.5

149 North Wales Economic Ambition Board, February 2018, [A Growth Deal for North Wales](#)

150 [HC Deb](#), 29 October 2018, vol 648, col 664–665

151 Welsh Government, 7 December 2018, [Welsh Government announces North Wales Growth Deal commitment](#)

152 North Wales Economic Ambition Board, February 2018, [A Growth Deal for North Wales](#), p.8

153 North Wales Economic Ambition Board, February 2018, [A Growth Deal for North Wales](#), p.8

154 North Wales Economic Ambition Board, March 2019, [Response by North Wales Economic Ambition Board to the Economy, Infrastructure and Skills Committee Consultation](#), p.3

73. In its written evidence to the Committee, the NWEAB provided updated figures on its projected impact of the Growth Deal, claiming that it would:

- Support a 6% GVA uplift;
- Create 4,298 new jobs;
- Generate £511 million direct private sector investment with a total leverage of £3.39 billion from the private sector; and
- Deliver an improved skills base in the region.¹⁵⁵

74. These figures sit within the NWEAB's over-riding aim of increasing the value of the North Wales economy from £13.6 billion in 2016 to £26 billion by 2035.¹⁵⁶ To put these figures in context the North Wales economy Gross Value Added (GVA) figure of £13.6 billion in 2016, was up 3 per cent on the previous year. The average annual growth rate between 2008 and 2016 was 2.6 per cent, higher than that of Wales (at 2.4 per cent) but lower than that of the UK (at 2.8 per cent).¹⁵⁷ GVA per capita remained below the Welsh and UK averages at £19,601 (73.6% of the UK average).¹⁵⁸

75. The content of the proposed deal is comprehensively set out in its draft Implementation Plan. The plan lists three key growth deal programmes with several projects within them. The NWEAB also list four programmes designed to “address key barriers to growth”.¹⁵⁹ All projects are planned to be completed by the end of 2025.¹⁶⁰

Box 3: The proposed projects of the North Wales Growth Deal (Growth Deal contribution)

- a) Low Carbon Energy Programme
 - i) Trawsfynydd Power Station Project (£20 million)
 - ii) Morlais Project (£9 million)
 - iii) Smart Local Energy Networks (£30 million)
 - iv) Nuclear Energy Centre of Excellence (£21 million)
- b) Advanced Manufacturing Programme
 - i) Enterprise Engineering and Optics Centre Project (£10 million)
 - ii) Centre of Environmental Technology and Industrial Accreditation Project (£3 million)
- c) Land-based Industries and Tourism

155 Written evidence submitted by the North Wales Economic Ambition Board (GDW0004), p.2

156 North Wales Economic Ambition Board, October 2018, [A Growth Vision for North Wales – Proposition Document, p.2](#)

157 North Wales Economic Ambition Board, October 2018, [A Growth Vision for North Wales – Proposition Document, p.5](#)

158 North Wales Economic Ambition Board, October 2018, [A Growth Vision for North Wales – Proposition Document, p.6](#)

159 North Wales Economic Ambition Board, March 2019, [A Growth Deal for North Wales - Draft Implementation Plan](#)

160 North Wales Economic Ambition Board, March 2019, [A Growth Deal for North Wales - Draft Implementation Plan, p.16–17](#)

- i) Glynllifon Rural Economy Hub Project (£10 million)
- ii) Llysfas Carbon Neutral Farm (£10 million)
- iii) North Wales Tourism and Hospitality Centre of Excellence Project (£10 million)¹⁶¹
- d) Land and Property Programme
 - i) Regional Land and Property Joint Venture Project (£72.5 million)
 - ii) Holyhead Gateway Programme (£35 million)
- e) Skills and Employment Programme
 - i) Information and Advice Gateway (subject to negotiations with the Welsh Government)¹⁶²
- f) Digital Programme
 - i) Digital Connectivity Project (£34 million)
 - ii) Digital Signal Processing Centre (£3 million)
- g) Strategic Transport Programme
 - i) Regional Transport Decarbonisation (£12.5 million)¹⁶³

Funding

76. The Wales Office stated that the £120 million the UK Government was providing for the North Wales Growth Deal from the UK Government would generate investment, jobs and prosperity for the region.¹⁶⁴ However, the response from some individuals in North Wales was more negative. Askar Sheibani, Chairman of the Deeside Business Forum claimed in the media that the shortfall would leave a lot of people angry and stated that it seemed that the region had been forgotten about.¹⁶⁵ The Welsh Government reported that this decision was one taken unilaterally by the UK Government, and publicly urged the UK Government to go further and meet the deal's original aspirations of total Government funding of £340 million.¹⁶⁶ Economic Secretary Ken Skates AM confirmed that he would match any increase from the UK Government.¹⁶⁷

161 North Wales Economic Ambition Board, March 2019, [A Growth Deal for North Wales - Draft Implementation Plan](#), p.23–34

162 North Wales Economic Ambition Board, March 2019, [A Growth Deal for North Wales - Draft Implementation Plan](#), p.18

163 North Wales Economic Ambition Board, March 2019, [A Growth Deal for North Wales - Draft Implementation Plan](#), p.35–39

164 Office of the Secretary of State for Wales, 29 October 2018, [More than half a billion for Wales in Chancellor's Budget](#)

165 BBC News, 30 October 2018, [North Wales Growth Bid Deal funding shortfall 'abysmal'](#)

166 Welsh Government, 7 December 2018, [Welsh Government announces North Wales Growth Deal commitment](#)

167 BBC News, 7 December 2018, [North Wales Growth Deal: Welsh Government confirms £120m](#)

77. In April 2019, the then Parliamentary Under-Secretary of State for Wales, Nigel Adams MP, explained why the UK Government had not committed more funding to the North Wales Growth Deal:

We felt that some of the projects within the growth deal weren't as ambitious or as transformational as we would have liked to have seen. They weren't in the right space in terms of sector.¹⁶⁸

The Secretary of State for Wales, the Rt Hon Alun Cairns MP, challenged the NWEAB to:

Come forward with strong bids—bids so good that we simply cannot turn them down. That is the best way to be: the greater the ambition, the greater the quality of the bid and the greater the investment it attracts, the more foolish it would be for us ever to turn around and say no.¹⁶⁹

78. The NWEAB stated that the original agreement of a funding envelope from both Governments for a deal was positive. However, they considered that the £240 million funding package agreed was significantly lower than the total value of the proposed projects at £340 million. They argued that some difficult prioritisation decisions would need to be made to identify a package of projects for the final deals and that “some worthwhile projects may need to be deferred in order to remain within the agreed financial envelope.”¹⁷⁰

79. Councillor Dyfrig Siencyn, Chair of the NWEAB, said that they had been surprised by the funding announcement. He advised that discussions with Mims Davies MP, then Parliamentary Under-Secretary of State, had:

Led us to believe that we were going to be successful with the entire amount we were asking for, which was £170 million from the UK Government and £170 million from the Welsh Government. There was no indication of anything less than that.¹⁷¹

When asked if there was forewarning given by Ministers that a significantly lower sum of money was to be offered than requested, Councillor Siencyn advised that there was none and Ashley Rogers, Chair of the North Wales Mersey Dee Business Council, explained that there was some surprise and disappointment at the funding announcement.¹⁷² He explained that the funding announcement impacted on the confidence of the private sector to invest in the North Wales Growth Deal, with the announcement of £240 million in funding rather than £340 million in funding disrupting the ability of the scheme to leverage private investment.¹⁷³

80. In their written evidence the NWEAB stated that their Implementation Plan makes the case for an additional sum of £20 million from each Government to support the funding of a package of projects that addresses the challenges faced by the region, particularly in

168 Nigel Adams MP, Oral evidence: Responsibilities of the Secretary of State for Wales, HC 680 ([Q234](#))

169 Oral evidence: Responsibilities of the Secretary of State for Wales, HC 680 ([Q236](#))

170 North Wales Economic Ambition Board, March 2019, [Response by North Wales Economic Ambition Board to the Economy, Infrastructure and Skills Committee Consultation](#), p.2

171 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q2](#))

172 Councillor Siencyn, Chair of the North Wales Economic Ambition Board; Ashley Rogers, Chair of the North Wales Mersey Dee Business Council ([Q3](#))

173 Ashley Rogers, Chair of the North Wales Mersey Dee Business Council ([Q8](#))

the view of the announcement by Horizon that work on the proposed £20 billion Wylfa Newydd Nuclear Power Station is suspended indefinitely.¹⁷⁴ Iwan Trefor Jones described the progress towards securing these additional funds:

We have agreed with the civil servants to put the case for the additional £40 million. They have said that the door is open to taking that into consideration, and the Welsh Government have already confirmed that they would provide £20 million if the UK Government put £20 million in. Those deliberations are ongoing, but we have developed the 14 projects based on a budget of £280 million, in the hope that they will see their way clear to accepting the business case that we are now putting forward.¹⁷⁵

81. The Minister, Kevin Foster, suggested that he was open to providing additional funding to the North Wales Growth Deal. He stated that “There is no reason why, with compelling programmes, they could not do more”.¹⁷⁶ The Welsh Government ambition is to sign a Heads of Terms agreement in the coming months.¹⁷⁷

82. Whilst we are pleased that some progress has been made on a North Wales Growth Deal, we are concerned at the manner in which the UK Government announced that less funding than requested was to be provided. It is worrying that the lower funding came as a surprise to representatives of the North Wales Economic Ambition Board because strong relationships and open communication should be central to the partnership. If the Board had known sooner about the perceived weaknesses in their proposals, they could have been addressed. If the UK Government feel proposals from any organisation coordinating a growth deal bid are not up to scratch, they should clearly state what they require so that the organisations can amend and refine their proposals accordingly.

83. The UK Government, Welsh Government and North Wales Economic Ambition Board should work towards a comprehensive Heads of Terms agreement in the near future, by the end of March 2020 at the latest. The North Wales Economic Ambition Board has made the case for a further £20 million from each Government in its implementation plan. We believe that the case they have made is strong and that the two Governments should provide the additional funding requested.

Cross-border working

84. The counties of Flintshire and Wrexham within the North Wales Growth Deal have long borders with counties in England. There are a number of cross-border organisations, such as the North Wales Mersey Dee Business Council and a large proportion of residents live on the other side of the border from which they work. As a result the Economy, Skills and Infrastructure Committee found that the proposed growth deal for North Wales could help businesses in the cross-border region including the proposed Cheshire and Warrington Growth Deal area. They suggested that complementary growth deals in England and North Wales could help fund cross-border infrastructure schemes and skills development projects.¹⁷⁸ They concluded that the North Wales Growth Deal negotiators

174 Written evidence submitted by the North Wales Economic Ambition Board ([GDW0004](#)), p.3

175 Iwan Trefor Jones, Chief Executive of Gwynedd Council ([Q3](#))

176 Parliamentary Under Secretary of State for Wales, Kevin Foster MP ([Q199](#))

177 Written evidence from Ken Skates AM ([GDW0012](#)), para 22

178 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 48

should continue to work constructively with partners and neighbouring authorities both within Wales and across the border to ensure that there is effective collaboration on infrastructure and training opportunities.¹⁷⁹ Councillor Siencyn spoke of the close cross-border relationship in place in North Wales, using the example of nuclear projects that he said “cross the border up to the north of England”. He added that “there are growing connections and links developing between ourselves and the nuclear industry in north-west England”.¹⁸⁰

85. The Secretary of State agreed with the rationale for close cross-border working stating that “That is something I am keen to progress”.¹⁸¹

86. Areas of North-East Wales hold strong economic and social ties to the other Welsh regions. The Welsh City and Growth Deals provide an excellent opportunity to build on current collaboration between the regions and improve North-South links. We urge those behind the Welsh City and Growth Deals to work closely with each other on projects that will be of mutual benefit, such as improving infrastructure and skills development projects.

87. As economic development is a devolved competence, the Welsh City and Growth Deals must operate within the Welsh Government strategic priorities and this should shape any cross-border collaborations. We recognise that the North Wales Growth Deal has huge opportunities for collaboration with areas east of the border in England, such as with the Cheshire and Warrington Growth Deal, which could be of major benefit to the North Wales economy.

88. The UK Government and Welsh Government should encourage cooperation between City and Growth Deals, particularly those within Wales, and we ask the UK Government to update us on progress in response to this report.

Wylfa Newydd Nuclear Power Station

89. Earlier this year we held an inquiry into the suspension of work at the Wylfa Newydd Nuclear Power Station in Anglesey. Our report stressed the importance of Wylfa Newydd to the North Wales Economy and of resuming work there as soon as possible.¹⁸² Whilst the power station was not a project within the proposed North Wales Growth Deal the NWEAB’s Growth Vision document described Wylfa Newydd Project as the one “stand-out” project for the region, which could “accelerate growth of high value economic sectors to increase competitiveness”.¹⁸³ When news of the suspension was received, Councillor Siencyn described the impact as being “extremely severe”.¹⁸⁴ In a statement, however, NWEAB provided the reassurance that:

179 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), Recommendation 5

180 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q25](#))

181 The Secretary of State for Wales, Rt Hon Alun Cairns MP ([Q158](#))

182 Welsh Affairs Committee, [The suspension of work on Wylfa Newydd nuclear power station](#), Third Report of Session 2017–19, HC 1938, 30 April 2019

183 North Wales Economic Ambition Board, October 2018, [A Growth Vision for North Wales – Proposition Document, p.2](#)

184 BBC News, 17 January 2019, [Hitachi’s Wylfa nuclear project pause ‘tremendous blow’](#)

the decision to suspend work on Wylfa Newydd will in no way impact on any projects in the North Wales Growth Deal.¹⁸⁵

The proposed North Wales Growth Deal contains a number of projects focusing on developing nuclear energy in the region, including the development of a small modular reactor at Trawsfynydd in Snowdonia and the Nuclear Energy Centre of Excellence at Bangor University.¹⁸⁶ **Councillor Siencyn and Iwan Trefor Jones, however, explained** that the scheme **at Trawsfynydd**, is intended to compliment, rather than replace, Wylfa Newydd. **£20 million of the Growth Deal funding has been allocated to developing the infrastructure on the Trawsfynydd site**, with the aim in the future to develop a small modular reactor on the site.¹⁸⁷ Iwan Trefor Jones emphasised the connection between all the projects, and the integration and support they provide to each other:

We have to look beyond these projects sometimes and ensure that we look at the whole portfolio, to fully appreciate the impact it will have on areas and communities across north Wales.¹⁸⁸

90. In its response to our report on Wylfa Newydd, the UK Government stated that:

The UK Government, the Welsh Government and local partners have identified low carbon energy as a key sector for the North Wales Growth Deal.

The UK Government welcomes proposals for renewable generation projects in the North Wales Growth Deal which can demonstrate effective use of public funds, regional economic impact, the ability to secure private sector investment and financial viability. Growth Deal proposals will be assessed by both the UK and Welsh Governments and agreed as a package jointly with the North Wales Economic Ambition Board (NWEAB).¹⁸⁹

91. The response also states that the UK Government is providing ongoing support for the NWEAB.¹⁹⁰

92. **The Government should continue to explore all avenues for restarting work on the Wylfa Newydd nuclear power station. If the North Wales Growth Deal could provide support for the resumption of work on Wylfa Newydd then the Government and partners should ensure that they take all actions necessary.**

93. **The UK Government, Welsh Government, local authorities and other partners should work together to ensure that other projects in the Growth Deal bid can be accelerated to minimise the damage to the local economy.**

185 BBC News, 21 January 2019, [Wylfa: 'More cash for region' over nuclear plant delay](#)

186 North Wales Economic Ambition Board, March 2019, [Response by North Wales Economic Ambition Board to the Economy, Infrastructure and Skills Committee Consultation](#), p.18

187 Councillor Siencyn, Chair of the North Wales Economic Ambition Board; Iwan Trefor Jones, Chief Executive of Gwynedd Council (Q15)

188 Iwan Trefor Jones, Chief Executive of Gwynedd Council (Q15)

189 Welsh Affairs Committee, [The suspension of work on Wylfa Newydd nuclear power station: Government response to the Committee's Third Report](#), Fifth Special Report of Session 2017–19, HC2585, p.1

190 Welsh Affairs Committee, [The suspension of work on Wylfa Newydd nuclear power station: Government response to the Committee's Third Report](#), Fifth Special Report of Session 2017–19, HC2585, p.3

94. The two Governments should support Growth Deal partners on new high quality projects, in time for the next budget.

4 The Mid Wales Growth Deal

Background

95. Growing Mid Wales (GMW), an inclusive regional economic partnership and engagement arrangement between the public, private and third sectors, is responsible for negotiating for a Mid Wales Growth Deal.¹⁹¹ It was established in 2015 to drive forward priorities for improvements to the Mid Wales economy and to work towards a growth deal.¹⁹² GMW argued that a Growth Deal approach is vital for Mid Wales because of:

The distinct nature of the economy in Mid Wales due to the structural dependence on agriculture, the dispersed population, the historically low rates of productivity and the high proportion of SMEs.¹⁹³

96. GMW was invited to prepare a submission for a Mid Wales Growth Deal in the UK Government's 2017 Autumn Budget.¹⁹⁴ GMW stated that indications from Welsh and UK Governments, as well as analysis of previous deal size per GVA and population, suggest a Growth Deal ambition of £200 million in funding is achievable.¹⁹⁵ Expanding on this figure, Councillor ap Gwynn, Chair of the Growing Mid Wales Partnership, explained that "it may be up to £200 million, so £100 million from each Government" and that this money will aim to raise GVA by 5% and create around 4,000 jobs in the region.¹⁹⁶ Councillor Harris, Vice Chair of the Growing Mid Wales Partnership, added, optimistically, that "there is no limit on the amount of money we would accept".¹⁹⁷

97. In November 2017, following evidence from GMW, the National Assembly's Economy, Infrastructure and Skills Committee, recommended that there should be a growth deal for Mid Wales.¹⁹⁸ The report stated that a deal is needed:

as part of a regional economic development approach, given the structural dependence on agriculture, dispersed population, historically low rates of productivity and the high proportion of SMEs in the region. This would be part of developing a cohesive nation and help to address historically low levels of investment.¹⁹⁹

The 2018 Autumn Budget expressed continued support for a Mid Wales Growth Deal, stating that the UK Government would continue working with the Welsh Government, businesses and local councillors to agree a deal.²⁰⁰

191 Growing Mid Wales, January 2019, [Growing Mid Wales Partnership Update - Growth Deal Road Map and Current Position](#), p.1

192 Growing Mid Wales, January 2019, [Growing Mid Wales Partnership Update - Growth Deal Road Map and Current Position](#)

193 Growing Mid Wales, January 2019, [Growing Mid Wales Partnership Update - Growth Deal Road Map and Current Position](#), p.1

194 Welsh Government, December 2017, [Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales](#), p.7

195 Growing Mid Wales, January 2019, [Growing Mid Wales Partnership Update - Growth Deal Road Map and Current Position](#), p.2

196 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership (Q98)

197 Councillor Rosemarie Harris, Vice-Chair, Growing Mid Wales Partnership (Q100)

198 Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies](#), rec 11

199 Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies](#), para 109

200 Office of the Secretary of State for Wales, 29 October 2018, [More than half a billion for Wales in Chancellor's Budget](#)

98. GMW suggested that the Deal would follow the themes outlined in a report titled Strategic Economic Priorities for the Mid Wales Region completed by AECOM (a consultancy) for GMW in February 2019. This paper lists three regional economic strategy themes and eight programmes.

Box 4: Themes and Programmes within the Strategic Economic Priorities for the Mid Wales Region document

- a) An Innovative and Skilled Mid Wales
 - i) Skills and Workforce—delivering a skilled workforce
 - ii) Innovation—promoting innovation in key sectors
- b) A Competitive and Sustainable Mid Wales
 - i) Property—ensuring the right supply and locations for employers and businesses
 - ii) Business—investment to deliver the infrastructure and initiatives to support business
 - iii) Energy—investment in low carbon energy generation and distribution
- c) A Connected and Distinctive Mid Wales
 - i) Digital—investment in digital infrastructure
 - ii) Place—improve the promotion of Mid Wales for visitors and investment
 - iii) Transport—investments in major transport schemes²⁰¹

99. In April Lord Bourne, the then responsible Minister in the Wales Office, discussed several sectors of focus for projects within the deal, listing Agri-tech, tourism and Aberystwyth University.²⁰² Universities Wales also emphasised the role of Universities and higher education establishments in growth deals.²⁰³

100. Councillor ap Gwynn explained that Growing Mid Wales was formulating a portfolio rather than going for specific projects, so that everything fits within a vision.²⁰⁴ She confirmed that the AECOM commissioned report would form the basis for working on the final framework of the Growth Deal.²⁰⁵ She explained that the plan would be far more open than focusing on one specific theme.²⁰⁶

101. GMW provided a timetable to the Assembly's Economy, Infrastructure and Skills Committee in January 2019. They expected phase one, culminating with the submission of growth deal proposals, to be complete in September/October 2019, leading to an announcement by the UK and Welsh Governments at the end of October 2019. They stated that:

201 Growing Mid Wales Partnership, February 2019, [Strategic Economic Priorities for the Mid Wales Region](#), p8–11

202 Responsibility of the Secretary of State for Wales – oral evidence, HC 680, 1 April 2019, Lord Bourne ([Q237](#))

203 Written evidence submitted by Universities Wales ([GDW0003](#))

204 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q96](#))

205 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q101](#))

206 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q105](#))

If phase one is successful, we expect phase two will take most of 2020 to complete and we hope to achieve a financial settlement for the Mid Wales Growth Deal by the Autumn 2020.²⁰⁷

102. Lord Bourne, the responsible UK Government Minister until his resignation in July, was more cautious on timeframes than GMW, stating in April that:

I do not want to heighten expectations of us necessarily bringing that to fruition this year.²⁰⁸

Funding

103. On 2 October 2019 the Secretary of State for Wales announced that the UK Government would allocate £55 million to the Mid Wales Growth Deal, over a 15-year period.²⁰⁹ The Welsh Government responded to this figure by claiming it was “derisory”.²¹⁰ The joint chairs of the Growing Mid Wales Partnership, councillors Ellen ap Gwynn and Rosemarie Harris, however, welcomed the funding. They said the plans “will drive future economic growth through investment in skills, innovation, connectivity and more productive jobs supporting prosperous and bilingual communities”.²¹¹

104. This £55 million is unlikely to be the total amount of funding allocated to the region with a UK Government spokesperson stating that:

All deals involve negotiation and the funding total for mid Wales will be based on the strength and ambition of proposals put forward by local partners.²¹²

Kevin Foster MP, who replaced Lord Bourne as the responsible Minister, suggested that there was more money to come from the UK Government to the Mid Wales Growth Deal, with the Secretary of State describing the £55 million announcement as a “down payment”.²¹³

105. Kevin Foster explained that local stakeholders had now suggested March 2020 for agreement on a Heads of Terms for the Mid Wales Growth Deal.²¹⁴

106. The Mid Wales Growth Deal is the least developed of the Deals in Wales. We are pleased that some progress has been made towards a Mid Wales Growth Deal with an initial £55 million announced but is vital for the economy of the region that we see more detailed proposals in the near future. We urge Growing Mid Wales to continue to work towards submitting detailed proposals by March 2020, and that the UK Government provide the support and challenge necessary to achieve this. *The Welsh Government*

207 Growing Mid Wales, January 2019, [Growing Mid Wales Partnership Update - Growth Deal Road Map and Current Position](#), p.3

208 Responsibility of the Secretary of State for Wales – oral evidence, HC 680, 1 April 2019, Lord Bourne ([Q237](#))

209 BBC News, 2 October 2019, [Labour driving wedge between UK nations says Welsh Secretary Alun Cairns](#)

210 BBC News, 2 October 2019, [Labour driving wedge between UK nations says Welsh Secretary Alun Cairns](#)

211 BBC News, 2 October 2019, [Labour driving wedge between UK nations says Welsh Secretary Alun Cairns](#)

212 BBC News, 29 July 2019, [Boris Johnson's Wales cash is thin stuff, Labour says](#)

213 Secretary of State for Wales, Rt Hon Alun Cairns MP and Parliamentary Under Secretary of State for Wales, Kevin Foster MP ([Q213](#))

214 Parliamentary Under Secretary of State for Wales, Kevin Foster MP ([Q215](#))

should match the initial £55 million from the UK Government and any further funding increases, in the way they have for other deals. The UK Government should also look to increase its initial investment once firmer project proposals become available.

Including areas outside of Powys or Ceredigion

107. We have heard evidence suggesting that the Mid Wales Growth Deal should have flexible boundaries allowing nearby areas outside of Powys or Ceredigion to be involved. Councillor Siencyn, Chair of the North Wales Economic Ambition Board, was one witness who made the case for areas near to Powys or Ceredigion but in other council jurisdictions to be involved in the Mid Wales Growth Deal:

I, as someone who lives in Meirionnydd, would be very keen to develop connections that are far closer, with the mid Wales growth deal, but at the moment it appears that we have been excluded from that discussion. As I have said several times, with tongue in cheek, the A55 is not relevant to me in Dolgellau. The A470 certainly is relevant to me, and the road in the eastern direction towards Wrexham and Shrewsbury is vital, but for some reason that I do not understand, we are not able to be part of the discussion around developing the growth deal in mid Wales, which is a shame.²¹⁵

108. The Assembly's Economy, Infrastructure and Skills Committee came to a similar conclusion, recommending that the regional boundaries should be as flexible and "fuzzy" as possible, to allow communities close to the boundaries to choose how they engage with planning for economic growth.²¹⁶ The Welsh Government, however, rejected this recommendation stating that clear governance and accountability arrangements required clearly understood regional boundaries.²¹⁷ Councillor Siencyn suggested that it was the UK Government preventing partners from outside Powys or Ceredigion engaging in the deal.²¹⁸ Councillor ap Gwynn agreed:

The message we had was that it was only a deal for Powys and Ceredigion, because the other counties in Wales were already involved in other deals.²¹⁹

109. Kevin Foster MP, however, suggested that the UK Government might willing to allow areas outside of Powys and Ceredigion to feature in projects. He stated that:

If the appetite is there locally for a project and the local board wants to come forward, the Welsh Government would have to take its view and we would have to take a view, but, generally, this is not about lines on a map.²²⁰

110. Areas outside of Powys and Ceredigion are not currently participating in proposals for the Mid Wales Growth Deal, despite strong local connections between, for example, North Carmarthenshire and Ceredigion or between southern Gwynedd and areas in the north of Powys and Ceredigion. Where appropriate, other Welsh areas outside of

215 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q25](#))

216 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), Recommendation 10

217 Welsh Government, December 2017, [Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled City Deals and the Regional Economies of Wales](#), p.6

218 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q26](#))

219 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q103](#))

220 Parliamentary Under Secretary of State for Wales, Kevin Foster MP ([Q216](#))

Powys or Ceredigion could feature in Growth Deal projects. This should only happen with the agreement of the local authorities involved in the Mid Wales Growth Deal and if accompanied by increased funding to reflect the expansion. The UK Government should therefore provide a clear explanation of how other Welsh areas outside Powys or Ceredigion can engage with the deal.

5 UK Government Support

111. We also examined the role of the UK Government in interacting with and supporting the organisations behind the City and Growth Deals. In this chapter we discuss the cooperation between the UK and Welsh Governments, criticisms of them for a perceived lack of guidance, the impact of the frequent changes in ministerial personnel and the support provided to assist regions to bid for additional funds, before discussing the proposal of providing “seed funding” to regions who have been invited to bid for a city or growth deal.

Cooperation between UK and Welsh Governments

112. The Assembly’s Economy, Skills and Infrastructure Committee stated that Deals and the investment that follows have given the UK Government a role in economic development that, as a devolved area, would normally be the responsibility of the Welsh Government.²²¹ They state that:

If this joint working is harmonious, then there is strong potential for it to benefit all parties. However, there is a history of fractiousness and finger-pointing between the two Governments, particularly when it comes to economic development and infrastructure projects in areas where devolved responsibilities are not 100% clear.²²²

113. Iwan Trefor Jones, Chief Executive of Gwynedd Council, explained that dealing with the UK and Welsh Governments in order to negotiate a growth deal can be:

Challenging sometimes, because you are dealing with two Governments, and you want that unity between the UK Government—the Wales Office—and the Welsh Government to ensure that they speak with one voice. Sometimes that is difficult and challenging. The growth deal in Wales is, clearly, jointly funded by the UK Government and the Welsh Government. They contribute matched amounts of funding to the deal, so those discussions and that agreement has to happen between the two Governments. I do not know how many negotiations of that nature happen, but it is quite a challenge to make sure that that joint funding happens at a political level.²²³

Professor Mark Barry of Cardiff University also highlighted the complexities of operating with two Governments, stating that:

I do think, being simplistic, that it is always easier and better to try to reduce your Government complexity, because it slows down decision making, and rail investment in Wales is a particular issue that needs to be dealt with.²²⁴

221 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 52

222 National Assembly for Wales, Economy, Infrastructure and Skills Committee, November 2017, [City Deals and the Regional Economies of Wales](#), para 53

223 Iwan Trefor Jones, Chief Executive of Gwynedd Council ([Q5](#))

224 Professor Mark Barry, Professor of Practice in Connectivity, Cardiff University ([Q67](#))

Robin Davis, Director at Actica Consulting and author of the Swansea Bay City Deal Independent Review, however explained that he saw the two Governments collaborate quite closely and that he felt that having both Governments involved was a good thing.²²⁵

114. Councillor Ellen ap Gwynn, Chair of Growing Mid Wales, explained that the partnership wanted to see consistent messages from both Governments. She stated that “We have met both Governments separately, but we have only once met both together”.²²⁶

With the growth deals, there is a need to ensure that the two Governments speak to each other more consistently, and we need to hear consistent messages from them so that we can see a clear way forward to help us develop plans that will be appropriate and acceptable to both Governments.²²⁷

Councillor Harris, Vice Chair of Growing Mid Wales, said that this consistency needed to come from civil servants of both Governments.²²⁸

115. In an evidence session, the Secretary of State argued that there was a close working relationship between the two Governments.²²⁹

116. *The UK Government should co-ordinate its work on City and Growth Deals as closely as possible with the Welsh Government. This co-ordination should include the appointment of a senior Civil Servant within the Wales Office to act as a liaison between the deal teams at council level, the UK Government and the Welsh Government. The Welsh Government should consider appointing an individual in a similar role.*

Lack of guidance

117. Some of the evidence we have received has been critical of the role of the UK and Welsh Governments in providing advice and assistance to the regions who are applying for deals. Councillor Siencyn expressed frustration with the current system for agreeing growth deals:

When I was told I would take part in negotiations on the growth deal, I expected there to be some kind of specific system or order, and I must admit that I am quite frustrated that the political meetings we have had with the Ministers have been a little—to use my son’s word—“random” and not particularly structured. There is no particular programme or agenda. I asked one Minister, “Before we meet next time, what about having a programme of our meetings diarised so that we are clear when we are going to be discussing this with you? Let us have some action points from the previous meeting, if you like. We don’t want detailed minutes, but what are the action points? You can report back on that, and we can then see where the problems are that we need to resolve.” But that really did not happen.²³⁰

225 Robin Davies, Director, Actica Consulting ([Q67](#))

226 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q90](#))

227 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q90](#))

228 Councillor Rosemarie Harris, Vice-Chair, Growing Mid Wales Partnership ([Q91](#))

229 Rt Hon Alun Cairns MP, Secretary of State for Wales ([Q236](#))

230 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q2](#))

118. Eifion Evans, Chief Executive of Ceredigion County Council suggested that the UK Government and Welsh Government should be more proactive in providing support and guidance to those regions bidding for funds:

Something else that I would suggest may have been beneficial is that the UK Government and the Welsh Government have plenty of experience in running such projects and growth deals of this nature, but we do not have a road map showing what both Governments expect in terms of what exactly people need to prepare. It is about that route for preparation. [...]

The Welsh Government and Westminster could have created some kind of package of knowledge or information that would encourage people at the beginning of the process by saying, “This is the right way to go, to avoid making the mistakes that have taken place in the past.”²³¹

He stressed that this suggestion was not about what themes or projects to include but about “what processes we should be following during that journey to make sure we do not stumble on our way”²³² Councillor Harris, Vice Chair of Growing Mid Wales explained that she would like to meet with both Government more often and be advised on specific project proposals.²³³

Changes in Ministers

119. There have been five Ministers with responsibility for the North Wales Growth Deal since 2017. Most recently, Nigel Adams MP resigned from the role, and was replaced by Kevin Foster MP.²³⁴ When Nigel Adams gave evidence to the Committee, he suggested that the frequent change of Minister was not an issue:

We have the same officials, including one official who is going to work with the Welsh Government now on growth deals. They work incredibly hard on this²³⁵

120. Councillor Siencyn, Chair of the North Wales Economic Ambition Board (NWEAB), described the regular change in Ministers within the Wales Office as “not terribly helpful to us in moving forward”.²³⁶ He explained that he had told Nigel Adams that “every time we have a change of Minister we are greeted with a new obstacle”.²³⁷ He continued added that:

We had Mims Davies and we thought we had got to a very positive place and were making progress. Then, with Nigel Adams’ appointment, my perception was that it set us back.²³⁸

231 Eifion Evans, Chief Executive, Ceredigion Council ([Q90](#))

232 Eifion Evans, Chief Executive, Ceredigion Council ([Q91](#))

233 Councillor Rosemarie Harris, Vice-Chair, Growing Mid Wales Partnership ([Q91](#))

234 BBC News, 3 April 2019, [Brexit: Wales minister Nigel Adams quits over talks with Corbyn](#)

235 Nigel Adams MP, Parliamentary Under-Secretary of State ([Q236](#))

236 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q2](#))

237 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q9](#))

238 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q9](#))

He added, however, that the attitudes of Kevin Foster and Alun Cairns had been “helpful in getting to where we are at the moment”.²³⁹

Bidding for additional funds

121. We heard that Wales has, historically, done quite poorly at attracting additional funds from the UK Government through, for example, the UK Industrial Strategy. Iwan Trefor Jones stated that:

if you were to look at the amount of UK Government money from the industrial strategy gets to north Wales, it is very small. For example, the Innovate UK scheme has £4.6 billion available from the UK Government. Almost none of that has come to north Wales, and north Wales is eligible for it. We as a region have to be far more energised and proactive in targeting those UK Government resources, ensuring that businesses and the economy of north Wales benefit from that resource, in addition to the plans such as the growth deal and others we are involved in. We can be far more influential and energised in trying to target that money in the future.²⁴⁰

Kellie Beirne, Director of the Cardiff Capital Region, criticised the absence of Welsh representation on the UK Research and Innovations Boards and argued that Wales should be more visible and prominent in influence these organisations.²⁴¹

122. The City Deal or Growth Deal bodies have become vehicles for applying for and securing additional funds from the UK Government. The Swansea Bay City Deal, for example, has bid for funding under the UK Government’s Local Full Fibre Network (LFFN). This bid complemented the overall digital ambitions of the Swansea Bay City Deal proposal.²⁴² The North Wales Economic Ambition Board also successfully bid for LFFN with an additional £8.5 million towards the delivery of its digital strategy.²⁴³ Cardiff Capital Region secured £6 million in Wave 2 of the LFFN Challenge fund to enable improved digital connectivity in South East Wales. They stated that:

The projects will include exploring the case for direct international connectivity; investment in the mobile infrastructure across 4G and 5G technologies; increasing Wi-Fi connectivity across the region; and making the CCR a state-of-the-art open data region.²⁴⁴

123. Kellie Beirne explained that CCR had been working on a bid to the industrial strategy challenge fund.²⁴⁵ When the Committee heard from the CCR representatives they advised that they had got through the first stage and had been awarded core seed funding and been requested to develop a full business plan for September.²⁴⁶

124. *The UK Government, working with the Welsh Government, should be proactive in providing advice and guidance to the deal teams. This should include setting up groups*

239 Councillor Siencyn, Chair of the North Wales Economic Ambition Board ([Q10](#))

240 Iwan Trefor Jones, Chief Executive of Gwynedd Council ([Q10](#))

241 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q47](#))

242 Swansea Bay City Deal, February 2019, [Swansea Bay City Deal - Update on the current position](#), p.2

243 Iwan Trefor Jones, Chief Executive of Gwynedd Council ([Q10](#))

244 Cardiff Capital Region, [Investment](#)

245 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q42](#))

246 Kellie Beirne, Chief Executive of the Cardiff Capital Region ([Q44](#))

for knowledge sharing and best practice and providing detailed and clear feedback to any proposals or bids. Welsh representation on the UK Research and Innovation boards should be prioritised and encouraged by the Wales Office. Assistance, whether through guidance, access to officials or secondments, should also be provided, when requested, to deal teams who intend to bid for public funds, including those from other Government departments or research bodies.

Seed funding

125. When councils are invited to bid for a Growth Deal they currently have to finance this bid from their existing council finances, sometimes to the detriment of their other services. Ashley Rogers, Chair of the North Wales Mersey Deeside Business Council suggested that this should change and that the UK Government should provide “seed funding” to support the development of proposals for City or Growth Deals once areas have been invited to bid:

When the Government—whether the Welsh Government or the UK Government—ask a region, “Would you like to put together a growth deal?”, or any other kind of deal, what would really help is some seed funding to do that. Economic development teams do not have excess resources. That could cut these entire processes in half, from a time point of view. Rather than taking two and a half years to develop, with £250,000 for each deal and 20 across the UK, with £5 million—not a lot of money—you could save at least a year on each deal.²⁴⁷

126. Councillor ap Gwynn, Chair of Growing Mid Wales, explained that there “is a lack of revenue for the plans to help us establish central teams to assist us in the plans’ development.”²⁴⁸ Councillor ap Gwynn explained that she would welcome some form of seed funding:

I am sure it would be helpful to every one of the regions because, as I say, the financial situation is quite tight.²⁴⁹

Nigel Brinn, Corporate Director, Economy and Environment at Powys County Council explained that councils “have limited resources to do economic development or focus on the growth deal.”²⁵⁰

127. We have heard that the provision of a small sum of “seed funding” could make a big difference to Councils who are in the process of preparing bids for deals. *In the future, and across all areas of the UK, the UK Government should provide a small sum of money to regions who have been invited to bid for a city or growth deal in order to help them develop a bid and reduce the strain on council finances.* This is particularly true for smaller councils and for regions with local authorities involved in the bids. Although too late for the Cardiff Capital Region and the Swansea Bay Region, Growing Mid Wales and the North Wales Economic Ambition Board could still benefit from such a fund.

247 Ashley Rogers, Chair of the North Wales Mersey Dee Business Council ([Q31](#))

248 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q89](#))

249 Councillor Ellen ap Gwynn, Chair, Growing Mid Wales Partnership ([Q92](#))

250 Nigel Brinn, Corporate Director, Economy and Environment, Powys County Council ([Q92](#))

Conclusions and recommendations

The Cardiff Capital Region Deal

1. We are content with the way that the Cardiff Capital Region City Deal is being managed and optimistic about the positive effect it should have on the area. We were particularly impressed by the unity of purpose and the commitment to work together for the benefit of the city region as a whole. Although it is too early to tell whether the City Deal will deliver the economic uplift the Regional Cabinet is seeking, the early signs are encouraging. (Paragraph 22)
2. The Cardiff Capital Region City Deal offers the opportunity for economic growth which will benefit the Cardiff City Region, Wales and the United Kingdom. *To help maximise this growth the UK Government should proactively support the Cardiff Capital Region through investing in co-investment propositions in areas of shared interest.* (Paragraph 25)
3. *When reviewing the effectiveness of the Cardiff Capital Region's investment fund, reviewers should consider not only how it is spent but the return on investment that funds generate. In order to get a full picture of the deal's performance, the review should consider the City Deal package as a whole, including the Welsh Government led South Wales Metro.* Given that the South Wales Metro is such a large part of the City Deal it would be odd and unsatisfactory if it were not to form part of the assessment. (Paragraph 32)
4. We do not agree with the UK Government's arguments against the devolution of Air Passenger Duty and believe that our report outlined compelling arguments for devolution of APD to Wales including that it could unlock the potential of Cardiff airport, boost the Welsh brand and promote economic growth. (Paragraph 38)
5. *We recommend that the UK Government reconsider its decision not to devolve Air Passenger Duty to Wales.* The evidence we have received suggests that its devolution would give the Welsh Government a lever that could have a positive impact on the Cardiff Capital Region and the wider Welsh economy. In our view, the Welsh Government is best placed to determine how to use the tax for the benefit of Wales. (Paragraph 38)

The Swansea Bay City Deal

6. We were concerned at the reports surrounding difficulties faced by the Swansea Bay City Deal. Following the Independent Review and reassurances from representatives of the City Deal, alongside those from the UK Government, we note that the recommendations have now been implemented and hope that the review represents a turning point for the Deal. We look forward to further updates on the Deal going forward. (Paragraph 50)
7. We were concerned that project-based deals did not allow for funds to be redistributed if a project was failing. The recommendation of the Independent Review, that the City Deal should be managed as a portfolio rather than a set of individual projects,

is an important one. We are pleased to hear from the Swansea Bay City Deal that they are now implementing this recommendation and adopting a more flexible approach. *The UK Government, Welsh Government and City Deal partners should continuously review projects to ensure that they provide value for money. If they do not, projects should be adjusted accordingly, and funds should be redistributed in order to provide the maximum positive impact. Those leading on the Swansea Bay City Deal should consider how public and private funding for the Tidal Lagoon can be incorporated within the portfolio work and how funding can be leveraged to deliver the project.* (Paragraph 54)

8. *More widely the UK Government should allow all the City or Growth Deals to change over time in line with economic trends. If a project is no longer providing value for money, they should be prepared to reduce its funding and, similarly, if projects are doing well and further investment is required, the UK Government should be proactive in supporting them.* (Paragraph 55)
9. *The UK and Welsh Governments should accelerate the release of funds for certain projects, subject to due diligence, in order to minimise the risk to council finances and therefore council services.* (Paragraph 59)
10. *Once the entirety of the original City Deal bid is in place and operational, additional projects to be added to the Deal should be explored.* (Paragraph 61)
11. *A tidal lagoon in Swansea could bring much needed economic regeneration to South Wales and could be a cost-effective source of renewable energy which would facilitate the transition to net-zero emissions by 2050. All parties to the Deal should continue to explore different funding models, which should demonstrate financial viability.* (Paragraph 62)
12. The ultimate aim of the City Deal should be to create the conditions that attract businesses and stimulate economic growth. Given that poor transport infrastructure is a major issue in the Swansea Bay area, we are disappointed that it did not feature in the agreed City Deal. We received evidence that a Swansea Bay Metro could increase regional connectivity and diminish the need for cars in the area. *We urge the UK Government, Welsh Government and partners to consider adding proposals for a Swansea Bay Metro to the Deal once detailed proposals for a Metro have been developed. We encourage the UK Government to reconsider proposals to electrify rail in Wales.* (Paragraph 68)

The North Wales Growth Deal

13. Whilst we are pleased that some progress has been made on a North Wales Growth Deal, we are concerned at the manner in which the UK Government announced that less funding than requested was to be provided. It is worrying that the lower funding came as a surprise to representatives of the North Wales Economic Ambition Board because strong relationships and open communication should be central to the partnership. If the Board had known sooner about the perceived weaknesses in their proposals, they could have been addressed. *If the UK Government feel proposals*

from any organisation coordinating a growth deal bid are not up to scratch, they should clearly state what they require so that the organisations can amend and refine their proposals accordingly. (Paragraph 82)

14. *The UK Government, Welsh Government and North Wales Economic Ambition Board should work towards a comprehensive Heads of Terms agreement in the near future, by the end of March 2020 at the latest. The North Wales Economic Ambition Board has made the case for a further £20 million from each Government in its implementation plan. We believe that the case they have made is strong and that the two Governments should provide the additional funding requested.* (Paragraph 83)
15. Areas of North-East Wales hold strong economic and social ties to the other Welsh regions. The Welsh City and Growth Deals provide an excellent opportunity to build on current collaboration between the regions and improve North-South links. *We urge those behind the Welsh City and Growth Deals to work closely with each other on projects that will be of mutual benefit, such as improving infrastructure and skills development projects.* (Paragraph 86)
16. As economic development is a devolved competence, the Welsh City and Growth Deals must operate within the Welsh Government strategic priorities and this should shape any cross-border collaborations. We recognise that the North Wales Growth Deal has huge opportunities for collaboration with areas east of the border in England, such as with the Cheshire and Warrington Growth Deal, which could be of major benefit to the North Wales economy. (Paragraph 87)
17. The UK Government and Welsh Government should encourage cooperation between City and Growth Deals, particularly those within Wales, and we ask the UK Government to update us on progress in response to this report. (Paragraph 88)
18. *The Government should continue to explore all avenues for restarting work on the Wylfa Newydd nuclear power station. If the North Wales Growth Deal could provide support for the resumption of work on Wylfa Newydd then the Government and partners should ensure that they take all actions necessary.* (Paragraph 92)
19. The UK Government, Welsh Government, local authorities and other partners should work together to ensure that other projects in the Growth Deal bid can be accelerated to minimise the damage to the local economy. (Paragraph 93)
20. The two Governments should support Growth Deal partners on new high quality projects, in time for the next budget. (Paragraph 94)

The Mid Wales Growth Deal

21. The Mid Wales Growth Deal is the least developed of the Deals in Wales. We are pleased that some progress has been made towards a Mid Wales Growth Deal with an initial £55 million announced but is vital for the economy of the region that we see more detailed proposals in the near future. We urge Growing Mid Wales to continue to work towards submitting detailed proposals by March 2020, and that the UK Government provide the support and challenge necessary to achieve this. *The Welsh Government should match the initial £55 million from the UK Government and any*

further funding increases, in the way they have for other deals. The UK Government should also look to increase its initial investment once firmer project proposals become available. (Paragraph 106)

22. Areas outside of Powys and Ceredigion are not currently participating in proposals for the Mid Wales Growth Deal, despite strong local connections between, for example, North Carmarthenshire and Ceredigion or between southern Gwynedd and areas in the north of Powys and Ceredigion. *Where appropriate, other Welsh areas outside of Powys or Ceredigion could feature in Growth Deal projects. This should only happen with the agreement of the local authorities involved in the Mid Wales Growth Deal and if accompanied by increased funding to reflect the expansion. The UK Government should therefore provide a clear explanation of how other Welsh areas outside Powys or Ceredigion can engage with the deal. (Paragraph 110)*

UK Government Support

23. *The UK Government should co-ordinate its work on City and Growth Deals as closely as possible with the Welsh Government. This co-ordination should include the appointment of a senior Civil Servant within the Wales Office to act as a liaison between the deal teams at council level, the UK Government and the Welsh Government. The Welsh Government should consider appointing an individual in a similar role. (Paragraph 116)*
24. *The UK Government, working with the Welsh Government, should be proactive in providing advice and guidance to the deal teams. This should include setting up groups for knowledge sharing and best practice and providing detailed and clear feedback to any proposals or bids. Welsh representation on the UK Research and Innovation boards should be prioritised and encouraged by the Wales Office. Assistance, whether through guidance, access to officials or secondments, should also be provided, when requested, to deal teams who intend to bid for public funds, including those from other Government departments or research bodies. (Paragraph 124)*
25. We have heard that the provision of a small sum of “seed funding” could make a big difference to Councils who are in the process of preparing bids for deals. In the future, and across all areas of the UK, the UK Government should provide a small sum of money to regions who have been invited to bid for a city or growth deal in order to help them develop a bid and reduce the strain on council finances. This is particularly true for smaller councils and for regions with local authorities involved in the bids. Although too late for the Cardiff Capital Region and the Swansea Bay Region, Growing Mid Wales and the North Wales Economic Ambition Board could still benefit from such a fund. (Paragraph 127)

Formal minutes

Tuesday 29 October 2019

Members present:

David T. C. Davies, in the Chair

Tonia Antoniazzi

Susan Elan Jones

Jonathan Edwards

Ben Lake

Draft Report (*City Deals and Growth Deals in Wales*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 127 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[The Committee adjourned

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 17 June 2019

Iwan Trefor Jones, Lead Director, North Wales Growth Bid, **Ashley Rogers**, Chair, North Wales Mersey Dee Business Council, **Councillor Dyfrig Siencyn**, Chair, North Wales Economic Ambition Board

[Q1–31](#)

Tuesday 2 July 2019

Kellie Beirne, Director, Cardiff Capital Region City Deal, **Councillor Peter Fox**, Vice Chair, Cardiff Capital Region Board

[Q32–63](#)

Tuesday 9 July 2019

Professor Mark Barry, Professor of Practice in Connectivity, Cardiff University, **Andrew Carter**, Chief Executive, Centre for Cities, and **Robin Davis**, Director, Actica Consulting

[Q64–88](#)

Eifion Evans, Chief Executive, Ceredigion County Council, **Councillor Ellen ap Gwynn**, Chair, Growing Mid Wales Partnership, **Councillor Rosemarie Harris**, Vice-Chair, Growing Mid Wales Partnership, and **Nigel Brinn**, Corporate Director, Economy and Environment, Powys County Council (with simultaneous interpretation); ii) **Nick Miller**, Founder and Chair, Blurr Ltd

[Q89–116](#)

Tuesday 3 September 2019

Councillor Rob Stewart, Leader, and **Phil Roberts**, Chief Executive, City and County of Swansea Council

[Q117–154](#)

Tuesday 15 October 2019

Rt. Hon. Alun Cairns MP, Secretary of State for Wales and **Kevin Foster MP**, Parliamentary Under-Secretary of State for Wales

[Q155–220](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

GDW numbers are generated by the evidence processing system and so may not be complete.

- 1 Cardiff University ([GDW0007](#))
- 2 Centre for Urban and Regional Development Studies, Newcastle University ([GDW0002](#))
- 3 FSB Wales ([GDW0009](#))
- 4 Gayther, David ([GDW0011](#))
- 5 Growing Mid Wales Partnership ([GDW0008](#))
- 6 Home Builders Federation ([GDW0010](#))
- 7 Ken Skates AM ([GDW0012](#))
- 8 Mr Ian Lucas MP ([GDW0005](#))
- 9 North Wales Economic Ambition Board ([GDW0004](#))
- 10 UK Government ([GDW0006](#))
- 11 Universities Wales ([GDW0003](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2017–19

First Report	The cancellation of rail electrification in South Wales	HC 403
Second Report	Brexit: priorities for Welsh agriculture	HC 402
Third Report	Wylfa Newydd nuclear power station	HC 1938
Fourth Report	Prison provision in Wales	HC 742
Fifth Report	Devolution of Air Passenger Duty to Wales	HC 1575
First Special Report	The cancellation of rail electrification in South Wales: Government Response to the Committee's First Report	HC 1535
Second Special Report	Brexit: priorities for Welsh agriculture: Government Response to the Committee's Second Report	HC 162
Third Special Report	Prison provision in Wales: Government Response to the Committee's Fourth Report	HC 2584
Fourth Special Report	Devolution of Air Passenger Duty to Wales: Government Response to the Committee's Fifth Report	HC 2634
Fifth Special Report	The suspension of work on Wylfa Newydd nuclear power station: Government Response to the Committee's Third Report	HC 2585